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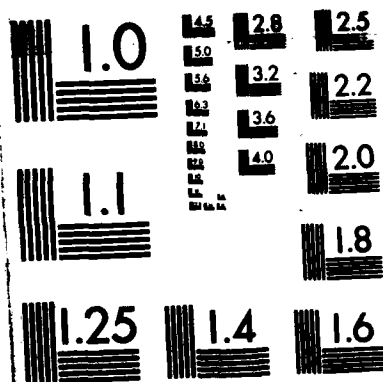
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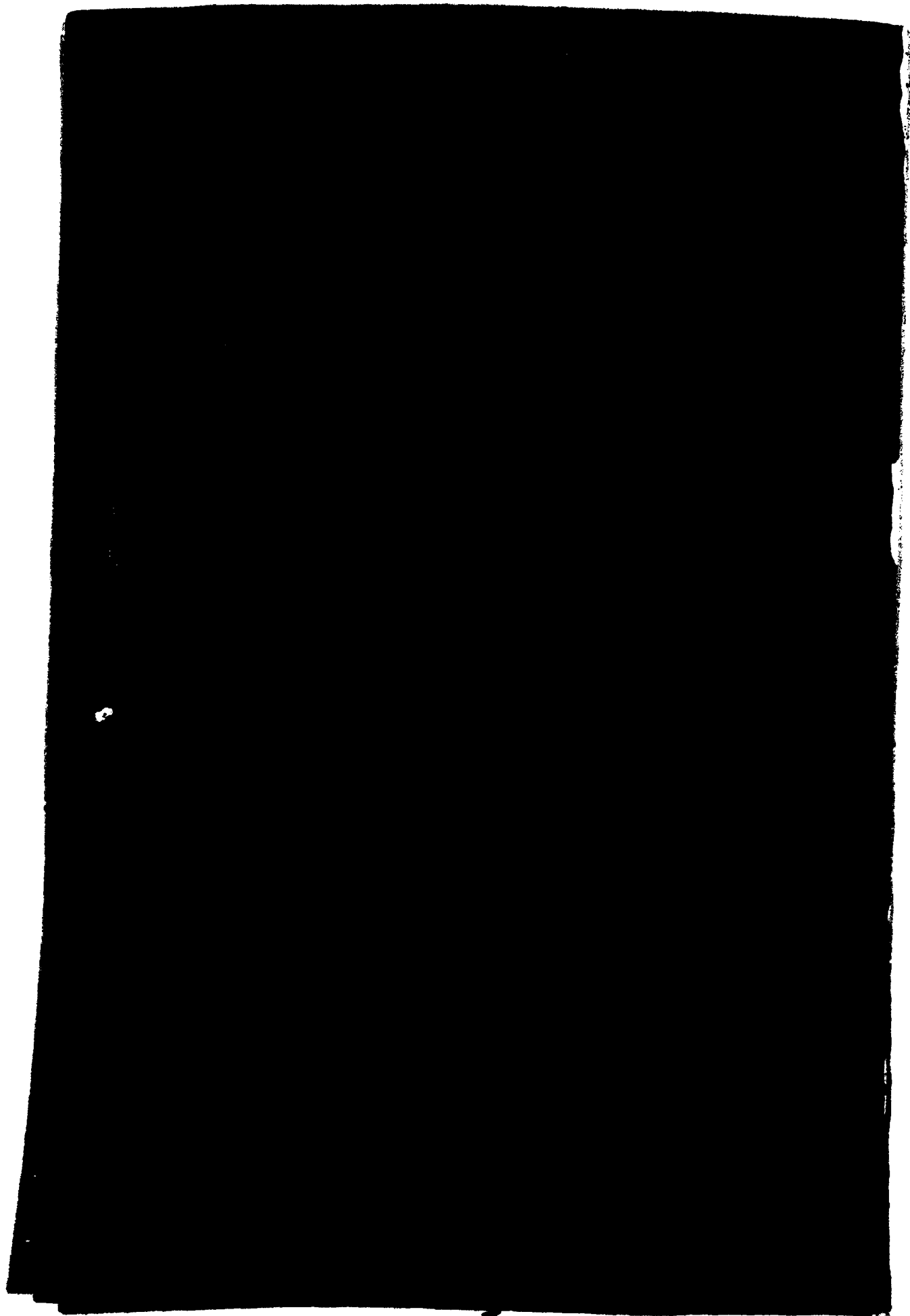
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REPORT DOCUMENTATION PAGE		READ INSTRUCTIONS BEFORE COMPLETING FORM	
1. REPORT NUMBER R-3190-AF		2. GOVT ACCESSION NO. AD-A15344	
3. TITLE (and Subtitle) The Challenge to Soviet Interests in Eastern Europe: Romania, Hungary, East Germany		4. RECIPIENT'S CATALOG NUMBER	
5. AUTHOR(s) F. Stephen Larrabee		6. TYPE OF REPORT & PERIOD COVERED Interim	
7. PERFORMING ORGANIZATION NAME AND ADDRESS The Rand Corporation 1700 Main Street Santa Monica, CA 90406		8. PERFORMING ORG. REPORT NUMBER	
9. CONTROLLING OFFICE NAME AND ADDRESS Requirements, Programs and Studies Group (AF/RDQM) Ofc, DSC/R&D Aand Acquisition Hq USAF, Washington, DC 20330		9. CONTRACT OR GRANT NUMBER(s) F49620-82-C-0018	
10. MONITORING AGENCY NAME & ADDRESS (if different from Controlling Office)		10. PROGRAM ELEMENT, PROJECT, TASK AREA & WORK UNIT NUMBERS	
11. DISTRIBUTION STATEMENT (of this Report) Approved for Public Release; Distribution Unlimited		11. REPORT DATE December 1984	
12. DISTRIBUTION STATEMENT (of the abstract entered in Block 20, if different from Report)		12. NUMBER OF PAGES 118	
13. SUPPLEMENTARY NOTES		13. SECURITY CLASS. (of this report) Unclassified	
14. KEY WORDS (Continue on reverse side if necessary and identify by block number) USSR East Germany Eastern Europe Hungary Rumania Communist Countries		14. DECLASSIFICATION/DOWNGRADING SCHEDULE	
15. ABSTRACT (Continue on reverse side if necessary and identify by block number) see reverse side			

→ This report examines socioeconomic and political developments in Romania, Hungary, and East Germany. It analyzes the viability of Romania's autonomous position within the Soviet bloc. It considers the present and future viability of the Hungarian model, Hungary's decentralized and less repressive economic and political system. It examines domestic East German developments, especially the strengthening in the GDR of German national consciousness. In each country discussion, the emphasis is on examining domestic factors which may lead to new challenges to Soviet interests in Eastern Europe in the future. The study's findings suggest that, in the next decade, the Soviet Union will be challenged to maintain control over its East European alliance during a period when economies are cooling and leadership is changing. Simply "muddling through," as Brezhnev did in his last years, will not be sufficient. In the absence of a serious restructuring of its relations with its East European allies in the next decade, Moscow will risk the prospect of greater instability and unrest.

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# The Challenge to Soviet Interests in Eastern Europe

Romania, Hungary, East Germany

F. Stephen Larrabee

December 1984

A Project AIR FORCE report  
prepared for the  
United States Air Force



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## **PREFACE**

This report was prepared as part of the Project AIR FORCE study, "Soviet Vulnerabilities in Eastern Europe," under the direction of A. Ross Johnson. This project attempted to illuminate the security issues posed for the United States by the problems and opportunities the USSR will face in the 1980s in Eastern Europe. It addressed economic, political, and military dimensions of the challenge to Soviet interests in Eastern Europe.

The report examines socioeconomic and political developments in Romania, Hungary, and East Germany. It analyzes the viability of Romania's autonomous position within the Soviet bloc. The study considers the present and future viability of the "Hungarian model," Hungary's decentralized and less repressive economic and political system. It examines domestic East German developments, especially the strengthening in the GDR of German national consciousness. In each country discussion, the emphasis is on examining domestic factors which may (although need not necessarily) lead to new challenges to Soviet interests in Eastern Europe in the next decade.

F. Stephen Larrabee is Vice President and Director of Studies at the Institute for East-West Security Studies in New York. He prepared this study for The Rand Corporation.



## **SUMMARY**

During the next decade the Soviet Union will find it increasingly difficult to manage its East European allies. A general economic slowdown in the region and succession problems will increase the potential for popular unrest and political and economic ferment. The chief danger, from Moscow's perspective, is that crises could erupt in several countries simultaneously at a time when, because of a succession problem of its own, the Soviet Union might be unable to act quickly and forcefully.

The Soviet Union will face a challenge to its interests in Eastern Europe that is pervasive, yet varied. Aside from Poland, the three countries that appear likely to cause the Soviet Union the most serious concern are Romania, Hungary, and East Germany.

### **ROMANIA**

The Romanian challenge, though the oldest and most visible of the three, is limited. Romania continues to differ with Moscow on many foreign-policy issues, but Romania is strategically less important than Hungary or the GDR, and it maintains an essentially Stalinist internal structure which other East European countries find unappealing and are unlikely to imitate.

Moreover, unlike other East European countries, Romania's economic or succession problems during the next decade may work to Moscow's advantage. Without both a strong economy and a strong leader, Romania will find it difficult to maintain the relatively freewheeling and autonomous policies that it pursued successfully in the late 1960s and 1970s.

Ceausescu's continued tenure as Romania's leader seems likely. Although dissatisfaction with his rule is increasing, in large part because of his nepotism and mismanagement of the economy, it has not yet reached a critical point. Moreover, he has managed to eliminate any political rivals through periodic purges and a skillful policy of "rotation of cadres."

Any challenge to Ceausescu's rule is likely to come from within the military/security forces. Both forces are tightly controlled by Ceausescu and have undergone sweeping purges in recent years. Nonetheless, reports of an attempted coup in January 1983 suggest that an internal challenge to Ceausescu cannot be excluded.

Whether or not Ceausescu remains in power, Romania will probably face increasing difficulties in the coming years, both internally and externally. Romania's economic difficulties, which stem largely from overcentralization and a faulty investment strategy, are growing, and the country has accumulated a foreign debt of roughly \$10 billion. Such economic difficulties are likely to make Western bankers reluctant to lend to Romania. Austerity measures to reduce the foreign debt—curtailing imports and domestic consumption—have led to increased discontent and work stoppages. And the increasingly repressive nature of Ceausescu's rule may make it more difficult for Romania to obtain Western political support.

Economic difficulties and diminished Western economic and political support may lead Romania to increase its cooperation with Moscow and Comecon in some areas. But even if such cooperation does increase, it is likely to represent a tactical adjustment rather than a fundamental shift in policy. As long as Ceausescu is in power, Romania's policies are not likely to change radically.

## HUNGARY

Hungary presents a different and potentially more serious challenge to the Soviet Union. Its aging leader, Janos Kadar (73), has been the architect of a continuing reform which has led to a distinctive, more market-oriented economic system and to the introduction of modest political reforms. The Hungarian experiment has sparked considerable interest in Eastern Europe and even in the Soviet Union. Taken as a whole, however, the Hungarian reform is unlikely to become a model for the rest of Eastern Europe. It is the product of specifically Hungarian circumstances and involves a degree of decentralization which some countries—notably Czechoslovakia—would find threatening. But other countries may adopt aspects of the reform in modified form, as Bulgaria has done.

Thus far, the Soviet Union's attitude toward the reform has been ambivalent. On the one hand, the Soviets have shown interest in certain aspects of the reform, particularly in agriculture, because of the economic success of those aspects. On the other, they have been wary of the political ramifications. To date they have tolerated the reform primarily because they trust Kadar to control its political impact. The key question, then, is how Kadar's program of economic and political liberalization will fare through the coming decade, given the likelihood of an economic slowdown and Kadar's death.

The Kadar government has based much of its legitimacy and popular support on its ability to raise the standard of living. But in the past several years the standard of living has stagnated, and the near future holds little prospect of improvement. A sustained period of economic stagnation could weaken political stability and increase social discontent.

Economic problems have been complicated by social tensions. Hungary has witnessed growing dissent. While the small dissident movement does not pose a threat to the regime, the government has begun to take a tougher line selectively. In addition, the treatment of the Hungarian minority abroad has emerged as an increasingly sensitive problem. Kadar has come under strong pressure, especially from the intellectual community, to protest more assertively perceived infringements of the minority's rights by Hungary's communist neighbors.

The future of the Hungarian reform is also made uncertain by Kadar's age. At present, he has no clear heir apparent. And even when a successor emerges, he is unlikely to enjoy the degree of popular support that Kadar now receives or to inspire the same level of confidence and trust within Moscow. Once Kadar is gone, the ambivalent Soviet attitude toward the Hungarian reform could harden.

## **EAST GERMANY**

East Germany poses special problems for the USSR because of its strategic location and its relationship to West Germany. Moreover, with Poland plagued by lingering instability, East Germany's importance to Moscow has visibly increased. Politically, the German Democratic Republic (GDR) has become a useful proxy for promoting Soviet interests in the Third World, especially in Africa. Economically, it has emerged as Moscow's "junior partner" and its most important source of advanced technology. And within the Warsaw Pact, it has maintained the highest rate of defense expenditure and has begun to take up some of the slack left by Poland's weakness, especially in naval matters. At the same time, some economic, social, and political developments worry Moscow. None of these factors suggest that the GDR is about to become a second Poland, but they do point to possible trouble spots in the future.

Although the GDR has the highest per capita gross domestic product (GDP) in the bloc, it has also accumulated a substantial foreign debt, much of it short-term. Over the past two years, the East German leadership has reduced this debt by curtailing imports, but this measure has resulted in bottlenecks and shortages of key consumer goods.

Dissent has increased among the intelligentsia. The Protestant Church, whose prestige has been enhanced by the celebration of the 500th anniversary of Luther's birth, has begun to play a more assertive social role. And the GDR has the largest peace movement in Eastern Europe.

In addition, the GDR has shown signs of a more assertive stance on foreign policy, particularly in its relations with the Federal Republic of Germany (FRG). Since the middle of 1983, inner-German relations have taken on a new intensity, underscored by East Berlin's willingness to allow a record number of East German citizens to emigrate to the FRG and Bonn's readiness to grant two major credits to the GDR.

A certain level of inner-German interaction is welcomed by the Soviet leadership. Moscow has a strong interest in a stable East German economy and, given its own economic problems, would probably prefer that credits come from other sources. It also benefits indirectly through technology transfer. Moreover, closer inner-German ties increase Moscow's leverage in its own relations with Bonn.

At the same time, Moscow must worry about the longer-term implications of the GDR's "special relationship" with the FRG. The 1984 campaign in the Soviet press against a revival of West German "revanchism" and "neo-Nazism"—which led to the postponement of Honecker's scheduled trip to West Germany—can be understood in part as a warning to East Berlin to approach its relations with Bonn more cautiously.

However, the GDR cannot sharply curtail contacts with Bonn without incurring serious economic and political risks. West Germany is its most important Western trading partner—second only to the Soviet Union overall—and its main source of credits. Moreover, any serious reduction of human contacts with the FRG could provoke increased social discontent.

Despite the difficulties of managing the relationship between Bonn and East Berlin, Moscow will not reconsider its opposition to German reunification. The political risks of such a move would considerably outweigh any benefits. Were the GDR to leave the Warsaw Pact, Moscow would lose its most important political and military ally and its main source of high technology. The Soviets could not be sure that a reunited Germany would remain neutral forever. And a combined Germany would be a powerful economic competitor.

## REGIONAL TRENDS

The challenges posed by developments in Romania, Hungary, and the GDR illustrate several broad trends in Eastern Europe. The type of pressures that led to the unrest in Poland are likely to appear in various degrees throughout the region. The next decade is likely to be one of austerity and economic stagnation. Such stagnation could create political instability in some countries, intensifying pressures for change and fueling political discontent. Economic necessity may lead many East European countries to experiment with more flexible economic mechanisms.

The deteriorating economic situation has military implications. Within the Warsaw Pact, economic stagnation is likely to accentuate the debate over "guns vs. butter" and "burden sharing." Romania has announced that it will not raise defense outlays above 1982 levels for three years. Faced with growing economic constraints, other East European countries, particularly Hungary and Poland, may follow suit. This could undercut Moscow's efforts to carry out planned military modernization.

The economic deterioration also has external political implications. Even if U.S.-Soviet relations do not improve, several East European countries are likely to continue to try to assert their national interests more forcefully. For both Hungary and the GDR, foreign economic contacts are essential to maintain economic growth and domestic stability. In both cases, the party's legitimacy is especially tied to economic performance.

The region's stability may also be complicated by transitions in leadership. The heads of Hungary, the GDR, Czechoslovakia, and Bulgaria—and the Soviet Union itself—are all over 70.

In the next decade the Soviet Union will be challenged to maintain control over its East European alliance during a period when economies are cooling and leadership is changing. Simply "muddling through," as Brezhnev did in his last years, will not be sufficient. In the absence of a serious restructuring of its relations with its East European allies in the next decade, Moscow will risk the prospect of greater instability and unrest.

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## I. INTRODUCTION

This study is divided into six parts. Section II discusses Soviet interests in Eastern Europe during the postwar period in historical perspective, highlighting *basic trends* and *factors* that have enhanced or inhibited Moscow's ability to maintain its hegemonic position in Eastern Europe.<sup>1</sup> Particular attention is focused on developments since 1975. Following the August 1968 invasion of Czechoslovakia, the Soviets were able to reassert their control over Eastern Europe, which had been seriously eroded by developments after Khrushchev's fall in 1964. As a result, Eastern Europe experienced a period of relative economic prosperity and political stability. After 1975, however, Eastern Europe entered a period of instability and change which posed a major challenge to Moscow's ability to maintain its hegemony. The Polish crisis was the most visible manifestation of this trend, but other factors—economic stagnation, the impact of détente, the challenge of Eurocommunism, and immobilism within the Soviet leadership—also played a role.

Sections III, IV, and V provide in-depth analyses of three countries that could pose a challenge to Moscow's ability to maintain stability and control in Eastern Europe in the future: Romania, Hungary, and East Germany.<sup>2</sup> These countries are very different in their internal and external development; each poses different types of problems for Moscow; and each could contribute to Moscow's difficulties in Eastern Europe in the coming decade. Romanian President Ceausescu's mismanagement of his country's economy could accentuate political instability, even endangering his own position. Hungarian party leader Kadar's departure could have a major impact on Hungary's ability to maintain its reformist course. And the German Democratic Republic (GDR) is showing signs of growing social and economic strains which could become more severe in the next decade. Moreover, political developments in each country will take place against a background of mounting economic difficulties throughout the bloc which seem likely to accentuate internal strains and complicate Moscow's efforts to maintain its hegemony in the region.

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<sup>1</sup>A companion report by John Van Oudenaren, *The Soviet Union and Eastern Europe: Options for the 1980s and Beyond*, The Rand Corporation, R-3136-AF, March 1984, provides a more exhaustive discussion.

<sup>2</sup>Poland, which is perhaps the most serious threat to Soviet hegemony in the area, is the subject of a separate study reported in A. Ross Johnson, *Poland in Crisis*, The Rand Corporation, N-1891-AF, 1982.



In addition, there is uncertainty concerning developments within the Soviet Union itself. The deaths of two Soviet leaders—Leonid Brezhnev and Yuri Andropov—within a period of 15 months underscored the problem of succession and accentuated the sense of immobilism and drift within the Soviet leadership. Moreover, at 73, Konstantin Chernenko, Andropov's successor, will probably be a transitional leader. Thus, for the next few years, the Soviet leadership is likely to be preoccupied with the problem of succession. This could have a major impact on developments in Eastern Europe.

Section VI examines prospects for the future and their implications for Moscow's control over Eastern Europe. It focuses on the challenges Moscow is likely to face and the problems of alliance management. How can Moscow reconcile its somewhat contradictory goals of stability and control in Eastern Europe in the next decade? What problems is it likely to face in Eastern Europe and how will these affect Soviet interests in the area? What are the prospects for some restructuring of its relations with its East European allies?

## II. SOVIET POLICY TOWARD EASTERN EUROPE: INTERESTS, INSTRUMENTS, AND TRENDS

Since the end of World War II, the Soviet Union has maintained a strong interest in Eastern Europe. Moscow's readiness to use military force in East Germany in 1953, Hungary in 1956, and Czechoslovakia in 1968, as well as its "indirect intervention" in Poland in 1981, is indicative of the importance the USSR attaches to preserving these interests.

### SOVIET INTERESTS IN EASTERN EUROPE

#### Military/Security

For the Soviet Union, Eastern Europe represents an important buffer zone. The military-strategic importance of maintaining this buffer zone was underscored by the famous exchange between Churchill and Stalin over Poland at Yalta in February 1945 in which Stalin bluntly told the British Prime Minister that while Poland was a question of "honor" for Britain, it was a question of "security" for the USSR.<sup>1</sup> In Stalin's view Soviet security required control of Poland and other areas on the Soviet periphery; if this risked damaging relations with the allies, he was willing to pay that price.

Soviet interest in retaining Eastern Europe as a buffer zone has remained strong despite changes in military technology and the expansion of Soviet power. From a military point of view, Eastern Europe offers Moscow a number of important advantages. First, it provides the Soviet Union with space for deployment and maneuvers well forward from the Soviet frontier.<sup>2</sup> Second, control of Eastern Europe allows Moscow to concentrate its forces for an attack on Western Europe well to the West of the Soviet Union and enhances the USSR's ability to launch a lightning offensive against NATO. It enables not

<sup>1</sup>Daniel Yergin, *The Shattered Peace*, Boston: Houghton Mifflin Company, 1977, p. 63.

<sup>2</sup>Malcolm Macintosh, "Military Considerations in Soviet-East European Relations," in Karin Dawisha (ed.), *Soviet-East European Dilemmas*, New York: Holmes and Meier, 1981, pp. 136-137.

only the stationing of troops, but also the preparation of lines of communication and reinforcements, as well as the prepositioning and storage of ammunition and materiel. Third, Soviet control of Eastern Europe increases the number of troops available to the Soviet Union in any conflict. By one calculation, the East European countries provide 37 divisions to the Warsaw Pact.<sup>3</sup> While the reliability of these forces in actual combat is open to question,<sup>4</sup> some of the troops could be expected to perform well, depending on how the war was initiated and against which forces they were deployed.

Finally, Eastern Europe also provides a staging area for political intimidation of Western Europe. The large-scale conventional forces stationed in Eastern Europe, along with their offensive posture, are a stark reminder of Western Europe's vulnerability. This is reinforced by the presence of Soviet short-range nuclear systems such as FROG and SCUD, which Moscow has recently begun to replace with newer, more accurate, mobile systems, the SS-21, SS-22, and SS-23. The fact that the Soviets took the unusual step of announcing their deployment reinforces the impression that their prime motivation was political rather than military: to show "resolve" and exploit antinuclear fears in Western Europe, especially West Germany.

### **Ideological/Political**

The Soviets also have a strong ideological/political interest in Eastern Europe. The preservation of the Leninist system, in which the communist party holds a monopoly of power, helps to ensure Soviet hegemony and control over the region. It allows Moscow to maintain links with a relatively small number of people, who exercise tight control over the societies they rule. It also facilitates the coordination of policy and makes it easier for Moscow to obtain political support for its foreign policy and security goals.

For these reasons, the Soviets have generally reacted strongly to any erosion of the leading role of the party in Eastern Europe, such as occurred in Czechoslovakia in 1968 and Poland in 1980-81. Moscow's anxiety stems from a fear not only that such erosion could infect other countries in Eastern Europe, but also that over the long run it could

<sup>3</sup>Based on figures from *The Military Balance 1980-81*, London: International Institute for Strategic Studies, 1980, p. 110.

<sup>4</sup>For a discussion of this point, see Dale R. Herspring and Ivan Volgyes, "Political Reliability in the Eastern European Warsaw Pact Armies," *Armed Forces and Society*, Winter 1980, pp. 270-296. Also A. Ross Johnson, Robert W. Dean, and Alexander Alexiev, *East European Military Establishments: The Warsaw Pact Northern Tier*, New York: Crane, Russak, 1982.

have an effect upon the Soviet Union itself. It is no accident that one of Moscow's first actions after the outbreak of unrest in Poland in August 1980 was to reimpose jamming of Western radio broadcasts to the USSR and to stop the flow of tourists and Polish newspapers into the Baltic Republics, particularly Lithuania. A similar fear of ideological contamination was evident during the Prague Spring, particularly in the Ukraine.<sup>5</sup>

While ideology plays a less important role as a guiding force in Soviet foreign policy today than it has in the past, the *ideological* factor has remained important because of the challenge from the Chinese. Beijing represents an alternative model of development and has openly challenged Moscow's leadership within the communist movement. In the face of this challenge, the existence of a bloc of communist states that adhere closely to the Soviet model and support Soviet policy goals is a valuable asset, one that Moscow would be reluctant to relinquish.

Moscow's ideological/political and military/security interests are, of course, closely linked. Indeed, Moscow has at times been willing to accept a considerable degree of ideological deviance in order to preserve its security interests. Poland provides a good example. Traditionally, Moscow has been extremely sensitive to the dangers of "Bonapartism" and has insisted on strict party control over the military.<sup>6</sup> In the case of Poland, however, it both countenanced and encouraged the intervention of the military and the maintenance of military rule—in large part because the military was the only institution capable of preserving political stability in Poland, which Moscow considers important for its own security.

Hungary is another case in point. The Hungarian model, with its emphasis on economic decentralization, differs significantly from the Soviet model. Moreover, Hungary has recently introduced measures to encourage and promote the growth of the private sector in both agriculture and industry. These measures have been combined with a degree of political liberalization unparalleled elsewhere in Eastern Europe, not to mention the Soviet Union itself. Moscow has been willing to tolerate the Hungarian deviation for a variety of reasons, the most important of which has been Kadar's ability to provide loyalty and *political stability* within the framework of a communist one-party state.

<sup>5</sup>See Grey Hodnett and Peter J. Potichnyi, *The Ukraine and the Czechoslovak Crisis*, Canberra: Australian National University, 1970. Also Alexander Alexiev, *Dissent and Nationalism in the Soviet Baltic*, The Rand Corporation, R-3061-AF, January 1984.

<sup>6</sup>The case of Marshal Zhukov, who was dropped from the Presidium (Politburo) and Central Committee and relieved of his duties as defense minister in October 1957, is perhaps the most notable example of this sensitivity.

### Economic

The Soviet Union has also derived certain economic benefits from its relationship, though these have varied over time. During the Stalinist period, the Soviet-East European economic relationship was exploitative and clearly favorable to the Soviet Union. It has been estimated, for instance, that the uncompensated flow of resources from Eastern Europe to the Soviet Union until Stalin's death amounted to about \$14 billion—roughly the equivalent of the flow of resources from the United States to Western Europe under the Marshall Plan.<sup>7</sup>

However, this situation changed after Stalin's death. During the 1960s and 1970s (at least until CMEA prices were restructured in 1975), the Soviet Union paid an increasingly steep price to maintain its domination over Eastern Europe. While the exact balance of costs and benefits is difficult to calculate, the evidence strongly suggests that over the last two decades, the economic benefits to Eastern Europe have outweighed those to the USSR.<sup>8</sup>

### Political/Diplomatic

Moscow also has a strong political/diplomatic interest in Eastern Europe. East European support for Soviet foreign policy goals is an important asset in international forums such as the United Nations. Poland, for instance, played a particularly useful role in furthering Soviet interests as a member of the Middle East Peace-Keeping Force and the International Control Committee in Vietnam. There are also indications that a division of labor is emerging in regard to the Third World, where the GDR in particular has significantly expanded its political and military presence.<sup>9</sup> East European countries, especially Czechoslovakia, also serve as important sources of arms for many countries in the Third World and often act as conduits for weapons in situations in which the Soviet Union prefers for diplomatic reasons to restrict its own visibility.

While all the four interests discussed above have influenced Soviet policy in the postwar period, the relative weight Moscow has attached to each has varied over time. For every Soviet leader from Stalin to Chernenko, the military/security interest has been strong—indeed paramount. The idea of Eastern Europe as a buffer area was obviously

<sup>7</sup>Paul Marer, "Has Eastern Europe Become a Liability to the Soviet Union?" in Charles Gati (ed.), *The International Politics of Eastern Europe*, New York: Praeger, 1979, p. 61.

<sup>8</sup>Philip Hanson, "Soviet Trade with Western Europe," in Dawisha, op. cit., p. 93; also Marer, op. cit.

<sup>9</sup>See Melvin Croan, "A New Afrika Corps?" *Washington Quarterly*, Winter 1980.

more important militarily before the advent of intercontinental ballistic missiles, but Eastern Europe still remains important as a forward staging area for any Soviet attack on Western Europe. Today, however, the gains that Moscow acquires by maintaining large concentrations of troops in that area are primarily *political*. This overwhelming conventional superiority, backed by nuclear power, remains a useful instrument of political pressure.<sup>10</sup> The political utility of this superiority has been enhanced by Moscow's achievement of parity at the strategic level, as well as the across-the-board modernization and improvement of its theater nuclear and conventional forces which has taken place over the last decade. Indeed, this large-scale modernization, which has included the East European forces as well, may prove to be one of the most important legacies of the Brezhnev era.<sup>11</sup>

At the same time, Moscow's economic interests in Eastern Europe are clearly changing. The impact of the energy crisis has necessitated a restructuring of economic relations. While Moscow continues to subsidize Eastern Europe's economic development, this is becoming increasingly difficult—and costly—as the constraints on Moscow's own resources increase. The Soviet Union's continued willingness to provide subsidies to its East European allies and to bear the heavy costs of economic integration, however, underscores the high priority it continues to attach to maintaining political dominance in the area.

## CONTINUITY AND CHANGE

Yet if Moscow's interest in Eastern Europe has remained relatively constant, its management of its relations with its East European allies has undergone visible change and modification over the past 35 years. In essence, the USSR has pursued two goals in Eastern Europe in the postwar period: stability and control. There has often been a tension between the two goals, however; maintenance of stability has required concessions to popular pressures and national differences, which at times have undermined Soviet control. The problem for Moscow has been—and remains—that of finding the right balance between the two goals.

Under Stalin, control was given almost exclusive priority over stability. After 1948, Stalin ruthlessly sought to impose the Soviet model on

<sup>10</sup>This is one reason why Moscow favors a "No First-Use Pledge." For a cogent argument against abandoning "first use" from a European perspective, see Karl Kaiser, George Leber, Alois Mertes, and Franz-Josef Schulze, "Nuclear Weapons and the Preservation of Peace," *Foreign Affairs*, Summer 1982, pp. 1157-1180.

<sup>11</sup>For a discussion of the dimensions of this modernization, see John Erickson, "The Warsaw Pact—The Shape of Things to Come," in Dawisha, *op. cit.*, pp. 148-171.

Eastern Europe through a policy of *Gleichschaltung*.<sup>12</sup> "National" communists, that is, those who had spent the war years in their home countries, were purged and often executed; in their place Stalin put loyal "Muscovites" who had spent long years in the Soviet Union and who could be counted on to faithfully carry out Soviet directives. A policy of forced industrialization and collectivization was introduced, and Eastern Europe became little more than an appendage of the Soviet Union.

### The Khrushchev Era

In the aftermath of Stalin's death in March 1953, his successors sought to find a new balance between control and stability. To defuse popular tensions in Eastern Europe and prevent them from erupting into open revolt, the new Soviet leadership introduced a number of reforms and partially dismantled the most onerous aspects of the Stalinist system. The pace of industrialization was reduced; terror was relaxed; and the New Course, with its emphasis on consumer goods, was introduced. Most of the changes instituted in the initial period after Stalin's death, though, were *ad hoc* measures; they did not constitute a systematic effort at restructuring Moscow's relations with the bloc. Moreover, in many instances, they served to exacerbate tensions in Eastern Europe rather than ameliorate them.

The upheavals in Hungary and Poland in 1956 underscored the need for Moscow to work out a more stable relationship with Eastern Europe—one that took into greater consideration East European traditions and culture but still preserved Soviet economic and political hegemony. In the aftermath of the unrest in both countries, Khrushchev consciously set out to restructure the USSR's relations with Eastern Europe in an attempt to forge a more cohesive, but at the same time more viable system of Soviet rule.

Khrushchev's relaxation of Soviet/East European relations, however, set in motion forces that undermined the very stability he had hoped to promote. One of the strongest and most corrosive of these was nationalism. The extent of "renationalization" differed from country to country. It went farthest in Romania and Poland—two countries with strong anti-Russian traditions—but by the time of Khrushchev's removal in October 1964, it had affected every country (with the possible exception of Bulgaria) to some degree. The result was a new, more vigorous Eastern Europe, one both more assertive vis-à-vis the Soviet Union and more differentiated internally.

<sup>12</sup>For a detailed discussion of the process of Stalinization in Eastern Europe, see Zbigniew Brzezinski, *The Soviet Bloc*, New York: Praeger, 1965.

As part of Khrushchev's de-Stalinization campaign, economic reforms were introduced throughout Eastern Europe. Again the degree and pattern of reform varied from country to country, but in general, the degree of party control over economic life—and in some cases over political life as well—was reduced.<sup>13</sup> This process went farthest in Czechoslovakia, where efforts to dismantle the Stalinist economic system spilled over into the political arena and led to widespread calls for broad political change, presenting Moscow with a major challenge to its hegemony.

The growing domestic differentiation coincided with, and to some extent was reinforced by, increased polycentrism within the bloc and the "socialist community" in general. Growing differences with China resulted in an open split after 1960; Albania defected into the Chinese camp a year later; and Romania embarked upon a more independent path after 1964.

The causes of the emergence of polycentrism were varied, but one in particular deserves mention: the process of limited détente fostered by Khrushchev in the aftermath of the Cuban missile crisis. The partial relaxation of tensions at this time helped to erode the barriers of the Cold War and encouraged East European countries to take advantage of the new more fluid atmosphere in East-West relations to expand their autonomy in foreign policy and experiment domestically.

This process was given greater impetus by two other developments in the aftermath of Khrushchev's fall: (1) the preoccupation of Khrushchev's successors with internal consolidation, which tended to deflect their attention away from Eastern Europe and give the East European leaderships greater room for maneuvering; (2) the Soviet leadership's efforts after 1966 to pursue a more vigorous *Westpolitik*. The latter was reflected most visibly in Moscow's campaign for a European security conference that was officially launched at the Bucharest Conference in July 1966 and, to a lesser extent, in its initiation of bilateral discussions with Bonn over a renunciation-of-force agreement.

The major catalyst for change, however, came from Bonn's new *Ostpolitik*. As long as the Federal Republic of Germany (FRG) remained wedded to precepts of the Adenauer era, the Soviet Union could afford to play the role of the champion of détente with impunity. Once Bonn left the trenches of the Cold War, however, and embarked upon a policy of East-West reconciliation of its own, Moscow found its interests in Eastern Europe under serious threat. The shift in Bonn's policy

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<sup>13</sup>For a good discussion of the impact of these reforms, see J. F. Brown, *The New Eastern Europe*, New York: Praeger, 1965.



tended to erode the credibility of the German threat, which was one of Moscow's main instruments for maintaining cohesion within the bloc, and led to a new interest in rapprochement with Bonn on the part of several East European countries.

This process seriously threatened Soviet rule in Eastern Europe and confronted Moscow with a new threat to its hegemony in the region. The threat was most serious in Czechoslovakia, where in January 1968 the Stalinist leader, Anton Novotny, was overthrown and replaced by a new Czechoslovak leadership under Alexander Dubcek, which embarked upon a policy of far-reaching economic and political reform. But it also manifested itself in Poland, where Wladyslaw Gomulka faced mounting student unrest, on one hand, and a serious political challenge from Mieczyslaw Moczar, the head of the secret police, who played on Polish nationalism, on the other.

As in 1956, the Soviet leadership was too preoccupied with internal problems, particularly the consolidation of its power, to pay adequate attention to developments in Eastern Europe. And as in 1956, its policy during this period was marked by vacillation and hesitation. Both of these factors contributed to the ferment and unrest that manifested itself after 1964 in Eastern Europe. But the origins of this ferment lay in changes and experiments initiated by Khrushchev; to a large extent, Brezhnev and Kosygin reaped the harvest that Nikita Sergeevich had sown.

### **The Brezhnev Counterreformation: 1969-75**

The Soviet invasion of Czechoslovakia ushered in a new period in Soviet-East European relations, one marked by a reassertion of cohesion and control. In essence, the Soviet Union sought to carry out what J. F. Brown has aptly termed a "counterreformation": the reassertion of orthodoxy and restoration of Soviet control in Eastern Europe.<sup>14</sup> This policy had both a domestic and an international rationale. The domestic motivation was the long-standing Soviet desire for stability and control in Eastern Europe, the desire in particular to create the internal conditions which would make future Czechoslovakias both impossible and unnecessary. This was reinforced by foreign policy considerations, in particular Moscow's desire to pick up the threads of its détente diplomacy left dangling prior to the invasion. But as the Czechoslovak experience had shown, détente tended to have a destabilizing impact on the bloc; thus to withstand the disin-

<sup>14</sup>J. F. Brown, "Détente and Soviet Policy in Eastern Europe," *Survey*, Spring/Summer 1974, p. 50.

tegrative impulses that any return to détente was bound to unleash, Moscow first had to bolster cohesion within the bloc.

Paradoxically, while the invasion of Czechoslovakia was a reflection of the fragility of Soviet control in Eastern Europe, it actually served to strengthen the cohesion and stability that were a necessary precondition for any return to détente. The invasion underscored the limits of Soviet tolerance and the lengths to which Moscow was willing to go to preserve its hegemony in Eastern Europe. This had two important effects. In the West, it made clear that "the road to Prague lay through Moscow"—that is, that there could be no attempt to "build bridges" to Eastern Europe that by-passed Moscow. This implied a reordering of Western, especially West German, priorities in which top priority was given to improving relations with Moscow first and Eastern Europe second. In the East, the invasion had an important "demonstration effect," which facilitated Moscow's efforts to reestablish stability and control. Not only was the clock turned back in Czechoslovakia, but in the aftermath of the invasion, other East European countries, including Romania, were reluctant to undertake new initiatives in either domestic or foreign policy.

The exception was Hungary, which proceeded with the introduction of its New Economic Mechanism (NEM) despite the invasion. The Soviet Union was willing to tolerate this deviation for several reasons: (1) Kadar was a proven ally; (2) the reform was introduced gradually and did not directly threaten the leading role of the party; (3) Hungary's deviation in domestic policy was not matched in foreign policy, where Budapest faithfully toed the Soviet line.

Yet Moscow did not give Hungary completely free reign. The demotion of Rezső Nyers, the "Godfather of the NEM," and several other reformers at the March Central Committee Plenum in 1974 underscored the limits of the reform and marked a return to a more orthodox line. In part, the slowdown of the pace of the reform in the aftermath of the March Plenum was a reaction to domestic concerns—above all, the growth of discontent among the working class, which felt that the reform tended to benefit the middle classes at its expense—but Soviet pressure also appears to have played a role.

Moscow's effort to increase cohesion in the aftermath of Czechoslovakia manifested itself in two areas in particular: First, it moved to strengthen integration within Comecon, beginning at the 23rd Comecon Council session in April 1969. Two years later, at the 25th Council session in July 1971, a "Comprehensive Program" was adopted which envisioned a long-range, multifaceted program of economic cooperation and integration. The Comprehensive Program put particular emphasis on greater coordination of national plans and joint investment projects.

In 1975, at the 29th Comecon Council session in Budapest, a major step forward toward integration was taken with the approval of a joint, coordinated plan outside the separate national plans. The highlight of the plan was the agreement to construct ten joint enterprises.

The push for greater economic coordination was complemented by greater military integration within the Warsaw Pact. At the Budapest meeting of the Political Consultative Council (PCC) in March 1969, several new bodies were established: (1) the Committee of Defense Ministers (CDM), which acts as the supreme military consultative organ; (2) the Military Council, which is subordinate to the Pact's Joint Command and which appears to have responsibility for planning and quality-control functions; and (3) the Technical Council, which apparently has responsibility for the development and modernization of weapons and technology. In addition, a permanent Joint Staff was set up.<sup>15</sup>

The impetus toward closer integration in Comecon and the Warsaw Pact was buttressed by the proliferation of consultations in a number of other fields, particularly ideology and culture, and a general expansion of bilateral consultations. One of the most important examples of the latter was the institutionalization of Brezhnev's annual August meetings in the Crimea with East European leaders. These regular meetings provided an important forum for the coordination of policy on a wide variety of issues.

In essence, what emerged was a process of "directed consensus," in which Moscow's East European allies were given greater participation in bloc councils, but the Soviet Union clearly set the tone and policy guidelines. This is not to suggest that the process was, or is, genuinely consultative. The Soviet Union is clearly the dominant force, but East Europeans were given greater opportunity to express their views, even if they rarely prevailed.

The return to orthodoxy in Eastern Europe was accompanied by a turn to "consumerism," which was made possible by the expansion of economic and political relations with the West as the rigidities of the Cold War gave way to the new impulses unleashed by superpower détente in the early 1970s. East European countries rushed to take advantage of liberal credits being offered by Western banks—often without much regard for how they were going to use or repay these loans. The new prosperity helped to give the regimes a stronger sense

<sup>15</sup>For a detailed discussion of these changes and their significance, see Dale Her-spring, "The Warsaw Pact at 25," *Problems of Communism*, September-October 1980, pp. 1-15; and A. Ross Johnson, *Soviet-East European Military Relations: An Overview*, The Rand Corporation, P-5383-1, August 1977. Also Lawrence Caldwell, "The Warsaw Pact: Directions of Change," *Problems of Communism*, September-October 1975, pp. 1-19.

of legitimacy and siphon off political discontent. Indeed, the combined impact of the invasion of Czechoslovakia and the rise in the standard of living in the early 1970s was greatly responsible for the lack of vocal dissent in Eastern Europe during this period. The populations were generally either too intimidated or too concerned with "making it" to try to test the boundaries of the system.

The best example of this was Gierek's Poland, where a new, more tolerant attitude was combined with a major effort to expand economic relations with the West. This initially led to a visible rise in the standard of living and earned Gierek accolades in the West. But it manifested itself in other countries as well, particularly Hungary and the GDR, where both leaderships consciously sought to enhance their legitimacy by increasing the standard of living. Even Husak in Czechoslovakia sought to make his politically repressive policy more palatable by increasing the living standard.

#### **FROM COHESION TO CORROSION: 1976-84**

The stability that characterized East European politics during the first half of the 1970s proved to be deceptive and short-lived, however. Beginning in the mid 1970s, the glue that held the East European system together began to come unstuck. By the end of the decade, cohesion had been replaced by corrosion.

#### **Economic Decline**

Several factors contributed to this corrosion in the latter half of the 1970s. Chief among them was the slowdown in economic growth throughout Eastern Europe.<sup>16</sup> Between 1976 and 1980, the average annual growth of produced national income (net material product) declined to 4.0 percent, as compared with 7.3 percent in 1971-75.<sup>17</sup> This represented the lowest growth rates experienced by Eastern Europe since World War II.

For a variety of reasons—particularly reluctance to reduce growth rates for fear of the political consequences of any serious decline in living standards—the slowdown did not really make itself felt until after 1978-79. The downturn coincided, moreover, with a general deterioration of East-West political relations as a result of the Soviet invasion

<sup>16</sup>See Jan Vanous, "East European Economic Slowdown," *Problems of Communism*, July-August 1982, pp. 1-19.

<sup>17</sup>*Ibid.*, p. 1.

of Afghanistan and the Polish crisis, both of which had a negative impact on East-West economic relations.

By 1980, the impact of the slowdown was clearly visible. It was most acute in Poland, which in 1979 suffered a 2 percent decline in national income—an unprecedented situation in the postwar period. But it was felt in varying degrees in all East European countries. Next to Poland, Romania was the hardest hit, in large part because the Ceausescu regime had blindly forged ahead with plans to expand its oil-refining capacity despite a decline in domestic production and rising world market prices for crude oil. Even Hungary, which had managed its economy fairly well after introducing a far-reaching economic reform beginning in 1968, felt the pinch.

Rather than introducing reforms, East European planners sought to counter the slowdown by expanding imports of Western technology, financed by cheap Western credits, which they hoped would stimulate greater productivity. This large-scale borrowing resulted in a dramatic rise in East Europe's debt to the West, from \$21.2 billion in 1975 to nearly \$60 billion by the end of 1980. Poland had the highest debt (\$23 billion), but others such as the GDR (\$13 billion), Romania (\$10 billion), and Hungary (\$8 billion) also faced serious debt problems. The exceptions were Czechoslovakia, which had avoided the problem by severely limiting its trade with the West, and Bulgaria, which actually has been reducing its debt.

East European countries were also hard hit by the recession in Western Europe, which led to a drop in the level of their exports to the West and a deterioration of their terms of trade with the West. Perhaps the most important factor, however, was the Soviet decision to raise the price of its raw materials in 1975. This led to a dramatic increase in the price East European countries must pay for raw materials, particularly oil, and a significant shift in Eastern Europe's terms of trade with the Soviet Union.

To a large extent, the shift in the terms of trade simply offset an unfavorable terms-of-trade balance that Moscow had suffered in the previous decade, during which it had accorded Eastern Europe preferential trade treatment. This preferential treatment amounted in effect to a large implicit transfer of resources from the Soviet Union to Eastern Europe in the form of hidden trade subsidies.<sup>18</sup> The USSR exported relatively underpriced energy and nonfood materials to Eastern Europe in return for imports of relatively overpriced East European machinery and industrial goods. It has been estimated by

<sup>18</sup>Ibid., p. 6.

some Western economists that between 1973 and 1980 these subsidies may have amounted to as much as \$60 billion.<sup>19</sup>

Moscow's willingness to provide these subsidies underscores the importance it attaches to maintaining its hegemony in Eastern Europe. Even today, East European countries pay less than market prices for their raw materials. In short, rather than acting like ruthless profiteers determined to make a killing out of the escalation of oil prices, the Soviet leadership, as Philip Hanson has aptly phrased it, "behaved like the better sort of landlord: raising the rent belatedly and by less than the general rate of inflation, and allowing more time to pay."<sup>20</sup> The reason for Soviet "generosity" was undoubtedly Moscow's concern that too steep a rise in prices might exacerbate East European economic difficulties and have a negative impact on political stability.

Nevertheless, despite the Soviet effort to cushion the blow, and despite the continued provision of hidden subsidies, the increase in the cost of Soviet raw materials and the sharp decline in East European terms of trade vis-à-vis the USSR have exacerbated East European economic difficulties and forced East European planners to reduce growth rates in industrial production and investment. Moreover, the difficulties faced by the East European countries are likely to intensify in the coming decade.

At the 34th Comecon session in June 1980, the Soviet Union informed its allies that it would not be able to supply them with oil above 1980 levels. In 1982, the Soviets introduced cuts in deliveries to Czechoslovakia, the GDR, and Hungary, and since then they have made it clear that deliveries over the next three years will not be restored to the 1980-81 levels.<sup>21</sup> (Poland has apparently been exempted from these cuts due to its desperate economic condition; the situation in Bulgaria is unclear.) Bloc members will thus have to look increasingly to outside sources to meet their energy needs and pay world market prices for their oil, aggravating their already acute balance-of-payments problems. And even if the Soviet Union does increase its deliveries of oil to Eastern Europe, the price it charges will undoubtedly rise, causing a further deterioration of East European terms of trade with the Soviet Union. In short, however East

<sup>19</sup>See Michael Marrese and Jan Vanous, *Implicit Subsidies and Non-Market Benefits in Soviet Trade with Eastern Europe*, Berkeley: University of California Press, 1983. These figures, however, are regarded by some economists as too high. For a critique of the Marrese-Vanous approach, see Paul Marer, "Intrabloc Economic Relations and Projects," in Jane Sharp and David Holloway (eds.), *The Warsaw Pact: Alliance in Transition*, Ithaca: Cornell University Press (forthcoming).

<sup>20</sup>Hanson, op. cit.

<sup>21</sup>B. A. Rahmer, *The Petroleum Economist*, August 1982.

European countries seek to resolve their economic dilemmas, they will face severe constraints on economic growth in the future.

Eastern Europe's growing economic difficulties have exacerbated conflicts within CMEA and led to delays in plan coordination. Approval of the 1981-85 five-year plan, for instance, was delayed almost a year. The plan should have been approved at the 34th CMEA Council meeting in Prague in June 1980 but was not presented until a year later at the 35th session in Sofia in July 1981. Even then, many of the problems do not seem to have been fully resolved.

Perhaps the most visible problem area, however, has been that of joint investments. In the 1970s, joint investment projects represented the major vehicle for promoting integration. During 1976-80, about a dozen such projects were initiated, the largest being the Orenburg pipeline. These projects essentially involved an extension of credits to the Soviet Union by the East European countries, in return for which they were guaranteed a share in the planned output of the project. This assured East European countries a stable supply of raw materials while at the same time compensating Moscow for the infrastructure costs associated with extraction and transportation.

The joint investment projects have been controversial, however, and in many cases do not appear to have lived up to expectations. Some East European economists have argued that economic criteria do not play an important enough role in the selection of the projects,<sup>22</sup> while others have complained about the high hard-currency costs of the projects and the low interest rates on credit advances. These complaints appear to have contributed to a decision to downgrade the role of joint investments in the 1981-85 plan. Instead, emphasis has shifted from direct and joint participation in production back to the old themes of coordination of plans and specialization agreements.<sup>23</sup>

The economic difficulties within the bloc have led to a growing recognition of the need to reassess the whole question of economic integration and regional planning. However, there has been little consensus on the best means by which this integration and planning can be achieved. The Soviets, backed by the Czechs and the GDR, have emphasized the need for the coordination of broad economic policies and have argued that the main direction of communist integration should be in the area of computers and electronics. The Romanians, on the other hand, have emphasized the need to coordinate plans in

<sup>22</sup>See, for example, Kalman Pecsi, *The Future of Socialist Integration*, New York: Sharpe, 1981.

<sup>23</sup>Cam Hudson, "Are CMEA Joint Investment Schemes Being Downgraded?" RAD Background Report/258 (Eastern Europe), *Radio Free Europe Research*, December 10, 1982.

the area of energy, fuels, and raw materials and have continued to resist any scheme that smacks of supranational planning. Similarly, the Hungarians have opposed efforts to force them to return to comprehensive economic planning and have argued for indirect methods of economic management and market-based integration.

Another source of conflict within CMEA has been the question of economic assistance to poorer member countries such as Mongolia, Cuba, and Vietnam. A number of the more developed countries have been reluctant to provide these countries with economic assistance at a time when they are facing growing economic difficulties of their own. Economic help for the poorer countries has been a source of particular friction with Romania, which would like to have greater access to Soviet raw materials at concessional rates.

Difficulties have also emerged over price formation and trade financing. In May 1981, for instance, Poland proposed that CMEA pricing procedures be reformed.<sup>24</sup> Poland has expressed particular discontent over the lack of convertibility of the CMEA currencies, which means that trade surpluses cannot easily be used to offset deficits with CMEA members. Hungary has expressed similar concerns.

The economic slowdown in Eastern Europe has also accentuated difficulties within the Warsaw Pact and has led to growing East European opposition to Soviet pressure for increased defense spending. The most notable example of this resistance was Romanian President Ceausescu's refusal to accede to Soviet calls for an across-the-board increase in defense spending at the November 1978 Warsaw Pact meeting in Moscow. At the beginning of 1983, Romania also announced that it would freeze defense spending at 1982 levels. While other countries have been less vocal in their opposition to increased defense outlays, there is reason to believe that some share Romania's concerns.

### The Polish Crisis

The economic crisis had its most dramatic impact on Poland. A detailed analysis of the Polish crisis is beyond the scope of this report, but suffice it to say that the deterioration of the economy after 1975 was the main factor in the eruption of the crisis.<sup>25</sup>

The upheaval in Poland in 1980-81 represented the most serious challenge to Moscow's rule in Eastern Europe since the end of World

<sup>24</sup>Cam Hudson, "Poland Proposes New Commercial Arrangements with CMEA Countries," RAD Background Report/135 (Poland), *Radio Free Europe Research*, May 12, 1981.

<sup>25</sup>For a fuller discussion, see Zbigniew M. Fallenbuehl, "Poland's Economic Crisis," *Problems of Communism*, March-April 1982, pp. 1-21.



War II. The Czechoslovak challenge in 1968 was essentially a "revolution from above," led by the party and disaffected intellectuals. The Polish challenge, on the other hand, was a genuine "revolution from below." It was led by the workers and had widespread support throughout the society, including the lower ranks of the party.

There was another important difference. In Czechoslovakia, the Soviets were faced with a wayward party leadership embarked on a dangerous (from the Soviet point of view) path of reform. Thus to halt the challenge, the Soviets could merely replace the top party leadership, which they eventually did. In Poland, however, the Soviets were faced not with a renegade party, but with a massive rejection of the party by the society as a whole.

The existence of an independent trade union posed a major challenge to the very basis of the communist system: the party's monopoly of power. In essence, it threatened a restructuring of the power relationships within postwar Poland. This was something the Soviets could not tolerate. Had it occurred, it would have had serious implications for the rest of Eastern Europe—and for Soviet security interests in the region. Eventually other communist leaderships might have faced similar pressures. Or so the Soviets undoubtedly feared.

The imposition of martial law on December 13, 1981, cut short Solidarity's challenge. But it by no means ended the Polish crisis. While Solidarity has been disbanded, none of the problems that gave rise to its emergence have been resolved. The economy remains in a shambles; the party is in disarray, too divided and weak to provide effective leadership; and the Jaruzelski regime has been unable to win the trust and support of the population. For the foreseeable future, therefore, the Polish crisis is likely to continue to fester, complicating Soviet efforts to manage relations with Eastern Europe and casting a long shadow over East-West relations.

### **The Impact of Détente**

Another factor which contributed to the erosion of Soviet hegemony in Eastern Europe in the latter half of the 1970s was the impact of East-West détente. The process of détente did not change the basic nature of the East European political systems, but the proliferation of East-West contacts which accompanied détente made Soviet control of Eastern Europe more difficult. And in some countries, such as Hungary and Poland, it contributed to greater social pluralization and liberalization.

The Helsinki Accord, signed in August 1975, played an important role in this process. The Accord did not end abuses of human rights in

Eastern Europe, let alone lead to democratization of the East European systems. However, it did legitimize the West's insistence that détente could not be limited to state-to-state relations but had to bring benefits to East European societies as well. Indeed, it was on the level of *society* that the Helsinki Accord had its most important effect—a fact often overlooked by its critics. The signing of the Final Act encouraged a variety of disparate groups in Eastern Europe to speak out more forcefully about abuses of human rights. The result was an upsurge of dissent throughout Eastern Europe in the latter half of the 1970s, which complicated Moscow's efforts to maintain stability and control in the area.<sup>26</sup>

The pattern of dissent varied from country to country. It was most visible and strongest in Poland, where a coalition of workers and intellectuals emerged in the aftermath of riots in Radom and Ursus.<sup>27</sup> Perhaps most important, this new coalition received indirect support from the Catholic Church. Not only did the Church become more outspoken and critical of government policy, but many Catholic intellectuals began to forge close ties to the workers, which were instrumental in Solidarity's success in 1980–81.

The worker-intellectual-Church coalition was unique to Poland and was not repeated elsewhere. But it was part of a wider process of social ferment that manifested itself to one degree or another in almost every East European country in the late 1970s. In Czechoslovakia the emergence of Charter 77 in 1977–78 demonstrated that the flame of reform had not been entirely extinguished despite nearly a decade of “normalization.” To be sure, the signatories of the Charter Manifesto represented a small minority, mostly intellectuals, and the movement did not have anywhere near the impact of the protests in Poland. But the fact that the movement emerged at all is noteworthy and underscores the inherent fragility of the process of “normalization” in Czechoslovakia.

Romania also witnessed the first serious flickers of dissent in the aftermath of the signing of the Helsinki Accord. Within the intellectual community, the most noteworthy manifestations were the protests by writer Paul Goma. But for reasons discussed in greater detail in Section III, the impact of these protests was limited. Far more serious from the regime's point of view was the strike by 30,000 miners in the Jiu Valley in August 1977, which was settled only after Ceausescu's

<sup>26</sup>See Thomas Heneghan, “Human Rights Protests in Eastern Europe,” *The World Today*, March 1977, pp. 90–100; also Walter D. Connor, “Dissent in Eastern Europe: A New Coalition,” *Problems of Communism*, January–February 1980, pp. 1–17.

<sup>27</sup>For a detailed discussion of the dissent movement in Poland, see Adam Bromke, “Opposition in Poland,” *Problems of Communism*, September–October 1978, pp. 37–51.

personal intervention. The strike was a reflection of growing discontent among the working class, which could become more serious if Romania's economy continues to decline.

Hungary also experienced increasing dissent. In Hungary, however (as discussed in Section IV), dissent has been limited largely to intellectuals and aimed more at "consciousness-raising" than at direct confrontation with the regime. Its impact has been blunted, moreover, by the relative prosperity that Hungary enjoys vis-à-vis the rest of the bloc, as well as the greater degree of support (or at least tolerance) enjoyed by the party in Hungary, and particularly by Kadar himself. In keeping with its moderate style and image, the regime has tended to deal with manifestations of dissent relatively leniently—usually through enforced emigration for limited periods, as in the case of writers Gyorgy Konrad and Ivan Szelenyi.

Even in the GDR, normally one of the most orthodox regimes, there was greater social ferment. Applications for emigration rose dramatically in the aftermath of the signing of the Final Act, and ferment among the intellectuals increased visibly. From the regime's point of view, however, the most serious and potentially dangerous dissent has come from the emergence of an independent peace movement. While the peace movement has been weakened by emigration since early 1984, it continues to pose a problem to the East German authorities, particularly because of its links to the Evangelical Church and peace groups in the Federal Republic. Indeed, it is this transnational dimension, as Pierre Hassner has pointed out, that gives the peace movement "both its ultimate originality and its political relevance."<sup>28</sup>

The ferment in Eastern Europe, especially East Germany, was also related to the impact of Bonn's *Ostpolitik* and the decline of the "German threat" in recent years. As long as Bonn refused to accept the territorial boundaries that emerged in the aftermath of World War II, Moscow was able to exploit East European fears of German "revanchism," and East European countries (especially Poland) had little choice but to look to Moscow for their security. However, the ratification of the Eastern Treaties in the early 1970s, which formally signified Bonn's acceptance of the postwar status quo, effectively removed the German problem as the key issue of European politics.

This had three important consequences. First, it reduced East European fears of German revanchism, thus depriving Moscow of one of the prime instruments for maintaining its hegemony in Eastern Europe. Second, it resulted in an expansion of Bonn's influence—particularly economic influence—in Eastern Europe. Finally, it led to an

<sup>28</sup>Pierre Hassner, "The Shifting Foundation," *Foreign Policy*, Fall 1982, p. 8.

intensification of relations and a proliferation of ties between the two Germanies.

### **The Impact of Eurocommunism**

Another factor that had an impact on Soviet authority and control in Eastern Europe was the growth of "Eurocommunism" during the mid-1970s. The emergence of more autonomous communist parties in Western Europe, especially Italy, complicated Moscow's efforts to impose unity within the world communist movement and for a brief time in Eastern Europe. The Conference of European and Western Parties held in East Berlin in June 1976 provided the most important example of Moscow's difficulties. During the preparatory meetings leading up to the conference, many of the independent West European parties, backed by the Romanians and the Yugoslavs, stubbornly resisted Soviet efforts to impose a general ideological line, and Moscow was forced to make important concessions to ensure the attendance of the independent West European parties.<sup>29</sup>

Eurocommunist ideas also had an echo among East European dissidents.<sup>30</sup> The Italian communist party (PCI), for instance, openly supported the struggle for human rights in such dissident groups as Charter 77 in Czechoslovakia and KOR in Poland. Moreover, a number of West European communist parties consistently supported the cause of democratic reform in Poland. Again, the strongest support came from the PCI, which publicly and privately made clear its backing for the course of democratization in Poland and its opposition to the use of force to solve the crisis. The PCI's support for Solidarity resulted in open polemics between the PCI and Moscow in 1981 and led to a serious deterioration of relations between the two parties.<sup>31</sup>

One should of course not overdramatize the influence of Eurocommunism. Its impact on Eastern Europe was clearly limited. In addition, its influence was weakened by the decline of the Spanish communist party and the reorientation of the policy of the French communist party back toward a more orthodox, pro-Moscow course at the end of the 1970s. But for a short time in the late 1970s, it did complicate Moscow's efforts to maintain its hegemony in Eastern Europe, and it provided an important source of support for Yugoslavia's and Romania's efforts to pursue more autonomous policies.

<sup>29</sup>The document issued at the end of the meeting, for instance, made no reference to "proletarian internationalism"—a code word for Soviet hegemony—but rather spoke solely of voluntary cooperation.

<sup>30</sup>For a detailed discussion, see Jiri Valenta, "Eurocommunism and Eastern Europe," *Problems of Communism*, March-April 1978, pp. 41-45.

<sup>31</sup>See in particular the sharp attack on the PCI in *Pravda*, January 24, 1982.

### **The Soviet Succession Issue**

Finally, Moscow's problems in Eastern Europe were exacerbated by the impact of the impending succession in the Soviet leadership. As Brezhnev's health declined after 1976, he was no longer able to exert the vigorous leadership that had characterized his rule in the earlier part of the decade. During the last five years of his tenure, Soviet policy was increasingly characterized by immobilism at home and abroad.

This was reflected in Soviet policy toward Eastern Europe. The vacillation exhibited by Moscow during the Polish crisis was one example of this trend; the slowdown in progress toward integration with Comecon was another. In short, Soviet policy lacked a sense of vigor and direction. East European leaders sensed this and reacted accordingly. The recognition that a leadership change was imminent added to the feeling of uncertainty. What resulted was a condition of hesitancy and drift—a reluctance to take new initiatives—which accentuated the mounting problems throughout the region.

Brezhnev's death unleashed a new sense of expectancy in Eastern Europe. Many East Europeans looked to Andropov to provide the strong leadership lacking in Brezhnev's last years. They hoped he would instill a new sense of direction in Soviet policy and support much-needed reforms both at home and abroad. The new Soviet leader's initial efforts to curtail corruption and introduce some cautious and limited reforms in the USSR strengthened these hopes. Andropov did not live long enough, however, to have much of an impact. As his health deteriorated, the early reform impulse lost momentum. His last six months were characterized by renewed drift and immobilism. Little effort was made to address the serious problems that faced the region—a fact well illustrated by the continued postponement of the much-heralded Comecon summit of party and state leaders.

Andropov's death in February 1984 has reinforced the hesitancy and uncertainty visible during Brezhnev's last years. Once again the Soviet leadership has been forced to focus its attention on the internal problems of succession, relegating the problems of Eastern Europe to the back burner. Few East Europeans expect much from Chernenko. They see him essentially as a transitional figure who is likely to continue to follow Brezhnev's policy of "benign neglect" toward Eastern Europe. It remains questionable, however, whether the Soviet Union can afford such a policy over a sustained period of time. As the following sections suggest, Moscow's problems in Eastern Europe are likely to grow, and failure to address them systematically could prove costly.

### III. ROMANIA

Over the past 20 years, Romania has carved out a distinct position within the Warsaw Pact, bordering on what one observer has aptly termed "partial alignment."<sup>1</sup> While formally remaining a member of the Warsaw Pact, Bucharest has often adopted positions that differed from Moscow's on international issues. This tradition of defiance has earned Romania applause and support in the West and has enabled Bucharest to play a role in international affairs out of proportion to its size and resources.

In recent years, though, Romania has faced increasing problems both at home and abroad, and the Romanian "model" has begun to lose some of its early glamour. Internationally, Bucharest has found it more difficult to pursue the type of autonomous foreign policy for which it has become famous, while domestically, it has been plagued by growing economic problems and social discontent. The key question for the 1980s is whether growing domestic discontent and serious internal as well as external problems will converge to undercut Romania's relative autonomy in foreign policy.

#### THE POLITICAL SETTING

The most important political development in Romania over the last decade has been the increasing concentration of power in the hands of one man, Nicolae Ceausescu, and his immediate family. This consolidation of power has inhibited effective management and has tended to promote irresponsibility and inefficiency at all levels of government. Since most decisions, even the most trivial, are made by Ceausescu himself, there is strong reluctance at the middle and bottom layers of the bureaucracy to take responsibility or show initiative.

For the first few years after Ceausescu took over from Gheorghe Gheorghiu-Dej in 1965, there was a semblance of collective leadership. Ceausescu was the first among equals in a triumvirate that included Chivu Stoica as Chairman of the Council of State and Ion Gheorghe Maurer as Chairman of the Council of Ministers. The triumvirate functioned officially until the end of 1965, when Ceausescu replaced Stoica as the Chairman of the Council of State, assuming both top

<sup>1</sup>Robert Farlow, "Romania: A Case of Partial Alignment," *Problems of Communism*, November-December 1971.

positions for himself. In April of the following year, Ceausescu succeeded in eliminating Alexandru Draghici, one of Dej's close associates, from the party leadership. By the 10th Party Congress in 1969, Ceausescu had established himself as the undisputed leader in the party.

Since then he has significantly consolidated and expanded his power. He currently holds the top positions in both the party and state hierarchies. Besides being General Secretary of the Romanian communist party (RCP) and a full member of the party's Political Executive Committee and Permanent Bureau, Ceausescu is also President of the Republic, Chairman of the Defense Council, and Supreme Commander of the Armed Forces. He also heads numerous commissions and working groups which oversee all aspects of political, economic, and social life. No other leader in Eastern Europe holds as many top positions or exercises as much power as Nicolae Ceausescu.

Ceausescu has managed to consolidate and maintain his power through skillful maneuvering and a constant rotation of top personnel. Soon after eliminating his major rivals for power in the late 1960s, Ceausescu initiated the first of a number of sweeping purges and personnel changes at all levels of the party which further helped to consolidate his power. While the ostensible aim of this campaign was to instill new ideological vigor into the party, it was in fact directed against anyone whose loyalty to Ceausescu might be suspect.<sup>2</sup> As part of the campaign, the security forces were reorganized, and Vasile Patilinet, the Party Secretary in charge of military and security affairs, was dismissed and transferred to other duties.<sup>3</sup> Several other top lieutenants, including Paul Niculescu and Virgil Trofin, were also shifted to government posts. At the same time the Central Committee Secretariat was reorganized.<sup>4</sup>

Ceausescu's shake-up of the political elite in 1972-73 highlights one of the distinctive features of his rule: the policy of "rotation of cadres." Under this principle, top party leaders are transferred to government posts. However, such transfers do not necessarily imply a demotion. Many of the top leaders, including Prime Minister Constantin Dascalescu and Foreign Minister Stefan Andrei, continue to hold high positions in *both* the party and the government.

One result of this policy of rotation has been that the top government and party posts have been staffed by men of mediocre ability

<sup>2</sup>Robert R. King, "Reorganization in Rumania," *Osteuropa*, January 1974.

<sup>3</sup>Patilinet's transfer was apparently connected to the so-called "Serb affair," discussed below.

<sup>4</sup>See Trond Gilberg, "Ceausescu's Romania," *Problems of Communism*, July-August 1974, pp. 32-33.

whose only real claim to office is loyalty to Ceausescu. All the while, the constant changes have kept many bureaucracies in turmoil, thereby inhibiting the formulation and implementation of coherent, long-term policies.

There has, nevertheless, been a relative degree of stability within the Permanent Bureau, which is the real locus of power. Within this body there exists a small "inner circle" of trusted lieutenants, including Emil Bobu, Stefan Andrei, Ile Verdet, Constantin Dascalescu, and Josif Banc, who have continually been reshuffled from one high party or government position to another.

These shake-ups have not been limited solely to the top echelons of the government. Ceausescu has also sought to tighten party control over the government structure by transferring administrators into productive jobs in enterprises and other economic organizations. A major campaign along these lines was conducted in 1973-74.<sup>5</sup> The economic rationale behind these transfers was to employ trained personnel more efficiently in the production process and reduce inefficiency. But the move also appears to have had the political motive of removing many government experts from immediate administrative work and placing them in the field under direct party supervision or the supervision of party-dominated organizations.<sup>6</sup> This not only enhanced the role of the party in general, but also increased Ceausescu's personal control over the bureaucracy. At the same time—and this appears to have been one of its principal intentions—it reduced the power of the experts to affect economic decisionmaking. This diminished role, while not unexpectedly leaving many of the government experts frustrated and alienated, has directly contributed to many of Romania's current economic problems.

Ceausescu's personnel rotation policy acquired new momentum in the early 1980s. Since 1981, Romania has been in what can best be described as a state of "permanent purge." Two features distinguish these recent reshuffles from changes in the past. First, they have increased in both frequency and intensity. The exact number of people dismissed or transferred is difficult to estimate, but in 1982, hardly a month went by without some changes taking place. One of the largest and most important of these reshuffles occurred in May 1982, when Prime Minister Verdet, along with eight other Deputy Prime Ministers, was sacked. Verdet was replaced by Constantin Dascalescu, a close associate of Ceausescu. The reasons for the purges varied. Some were related to the discovery of an occult group called the Transcendental

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<sup>5</sup>Ibid.

<sup>6</sup>Ibid.



Meditation sect (discussed below); others had to do with alleged fraud and misappropriation of funds. Most, though, were related in one way or another to shortcomings in the economic area, particularly food shortages.

The second distinguishing feature of the recent changes has been that they have led to the dismissal of some members of Ceausescu's inner circle. In March 1981, Paul Niculescu, a long-time member of the Permanent Bureau, was replaced as Deputy Prime Minister and Finance Minister, and later in the year Virgil Trofin was removed as Minister of Mines, Oil and Geology and also dropped from the Central Committee. Like Niculescu, Trofin had held a variety of top government and party posts and was once thought to have a bright political future. In the shake-up of May 1982, two other close associates of Ceausescu, Ile Verdet and Cornel Burtica, were dropped from their posts as Prime Minister and Minister of Foreign Trade, respectively.<sup>7</sup>

The main purpose behind most of the shake-ups has been to show that Ceausescu is taking action to rectify shortcomings in the economy. But the changes have had a desperate, impulsive character which has only served to reinforce the impression of erratic leadership on Ceausescu's part. Moreover, in some cases, such as the dismissal of Niculescu and Trofin, political motives also seem to have played a role. Both men are figures of stature and some independence of mind, and Ceausescu appears to have seen them as potential focal points for opposition at a time when his own mismanagement of the economy is becoming increasingly evident.

The concentration of power in Ceausescu's hands has been accompanied by the growth of a personality cult unparalleled anywhere in Eastern Europe. Ceausescu's speeches dominate the media; his pictures adorn most office buildings; poems are composed in his honor; and streets are named after him. He has even been compared to a lay God.

Ceausescu has evolved a highly distinctive style of leadership and decisionmaking, which relies heavily on direct contact with the masses and which bypasses normal bureaucratic channels. He often makes trips to factories, schools, and workplaces to talk directly with the population. Most of these visits are carefully orchestrated, however, with little opportunity for spontaneous interaction. They are designed to cultivate an image of Ceausescu as a man of the people who takes a personal interest in the problems of the average Romanian. His constant personal interventions in the workings of the bureaucracy,

<sup>7</sup>Burtica was subsequently dropped from the Political Executive Committee and the Central Committee in another round of purges in October 1982.

however, have served to stifle initiative and reduce the effectiveness of the various ministries.

Ceausescu has recently become increasingly isolated and mistrustful, relying almost exclusively on his inner circle of advisers, particularly members of his immediate family or people related to him by blood ties or marriage. This growing nepotism is dramatized by the rapid rise of his wife Elena, who today is the second most powerful figure in Romania. She is a member of the Permanent Bureau (the top policymaking organ in the RCP), a First Deputy Prime Minister, Chairman of the National Council on Science and Technology, and Vice-Chairman of the Supreme Council on Socio-Economic Development. She also plays an important role in personnel appointments.

Elena Ceausescu's increasing prominence has been matched by the spectacular rise of their son Nicu, who is a member of the Central Committee, a delegate to the National Assembly, and a member of the Bureau of the Socialist Unity Front. In December 1983, he was made First Secretary of the Young Communists' League (YCL)—a post that automatically made him Minister of Youth and thus a member of the Romanian government—and at the 1984 Party Congress he became a member of the Political Executive Committee. His frequent travels abroad have prompted reports that he is being groomed to replace Stefan Andrei as Foreign Minister.

Several other of Ceausescu's relations also hold prominent positions in the Romanian government or party. Brother Ilie is Deputy Minister of National Defense and Secretary of the Higher Political Council. Another brother, Ion, is Vice President of the State Planning Committee. Gheorghe Petrescu, the brother of Ceausescu's wife, is a Deputy Chairman of the Trade Union. Other key officials such as Ilie Verdet, Cornel Burtica, and Manea Manescu are rumored to be related to Ceausescu.

One of the chief ways in which Ceausescu has sought to enhance his popular support and legitimacy has been through an appeal to Romanian nationalism, which traditionally has had a strong anti-Russian and anti-Hungarian edge. Since the mid-1960s, he has made a special effort to identify the RCP—and himself personally—with the issue of national independence. Romania's efforts to pursue an autonomous foreign policy are portrayed as a continuation of heroic struggles for national independence throughout Romanian history, and Ceausescu is often compared to such legendary Romanian heroes as Michael the Brave and Stephen the Great.

Perhaps the best example of Ceausescu's appeal to nationalism was his exploitation of the Soviet invasion of Czechoslovakia. Much he used to consciously play up the sense of threat to Romania. A more recent example was the manner in which he manipulated his dispute

with Moscow over defense spending at the November 1978 Warsaw Pact Party Central Committee meeting. Returning to Bucharest after the meeting, Ceausescu went public with the details of the dispute and called an emergency meeting of the Central Committee to get backing for his position. Portraying himself as a staunch defender of Romanian national independence in the face of stiff Soviet pressure, he stressed that he would never allow Romanian armed forces to be put under foreign control:

More than once did I assert—and I presented the firm stand of our party and people also at the recent meeting in Moscow—and I wish to assure you too, to assure our army, the whole people, that it is only the declaration calling for détente and peace that I signed. I have never signed nor will I ever sign any document endangering the independence of the homeland, including the combat independence of our army.<sup>8</sup>

At the same time, he asked the United States to send a special envoy to Bucharest as a gesture of U.S. support, thus turning a budgetary dispute within the communist camp into a minor international crisis.

Over the past decade, however, both the role and function of nationalism have undergone a change. Whereas in the 1960s there was a conscious effort to identify the RCP with Romanian nationalism, in the 1970s the nation and national values came to be closely associated with Ceausescu personally. As the cult of personality has grown, Ceausescu, as Robert Farlow has put it, has become "the personal embodiment of Romanian nationalism."<sup>9</sup>

This shift, together with Romania's growing economic problems, may diminish Ceausescu's ability to exploit nationalism as a source of legitimacy in the future. As Romania's economic problems grow and food shortages continue, Ceausescu's efforts to manipulate nationalist symbols and the Soviet threat are likely to prove less effective in quelling popular discontent. The main threat to Romania today, as many Romanians increasingly realize, comes not from the Soviet Union—though of course this threat still exists—but from Ceausescu's mismanagement of the economy; and no amount of effort by Ceausescu to cloak himself in the mantle of nationalism can hide this.

However, at the moment, there is no visible alternative to Ceausescu. Since the retirement of Ion Gheorghe Maurer in 1974, there has been no one in the top levels of the Romanian leadership

<sup>8</sup>Scinteia, November 27, 1978.

<sup>9</sup>Robert Farlow, "Romania: Problems of Independence and Development," in Milorad M. Drachkovitch, *East Central Europe: Yesterday, Today and Tomorrow*, Stanford, California: Hoover Institution Press, 1982, p. 330.

with the independence and stature to pose a serious challenge to Ceausescu. Those among Ceausescu's top lieutenants who might be considered possible contenders, such as Niculescu and Verdet, have all suffered political setbacks recently. Moreover, Ceausescu has consciously refrained from choosing an heir apparent in order to ensure that no effective source of opposition exists (though the meteoric rise of his son Nicu suggests that Ceausescu may be grooming him for the job). This has left a serious political vacuum. If Ceausescu should suddenly die or be removed, Romania would almost certainly face a period of political instability, which could open up new possibilities for Soviet diplomacy.

### ECONOMIC ASPECTS OF THE CRISIS

The increasing concentration of political power in Ceausescu's hands has been accompanied by a sharp deterioration of the economy. While Romania achieved impressive growth rates in the 1960s and early 1970s, in recent years these rates have sharply declined. In 1980, for instance, the growth rate of Romania's Net Material Product (the closest equivalent in communist societies to GNP) was 2.5 percent. Although this is quite respectable by Western standards, it contrasts markedly with the 11.3 percent experienced by Romania in the 1971-75 period and the 7.2 percent achieved between 1976 and 1980. The decline in Romania's rate of growth has been reflected in both a downturn in industrial growth and a marked decline in agricultural output.<sup>10</sup>

While some of Romania's current economic difficulties have their origin in circumstances beyond Romania's control, such as the world economic recession and the energy crisis, many of them are directly attributable to faulty economic decisions for which Ceausescu himself is largely responsible. Beginning in the late 1950s, Romania embarked upon a policy of rapid industrialization designed to transform it from a predominantly agricultural country into a "multilateral developed socialist state." This policy was begun under Gheorghiu-Dej, Ceausescu's predecessor, and was intensified by Ceausescu after he took over in 1965. The policy aimed at making Romania more autarchic and more independent. Many of Ceausescu's ambitious schemes, however, were undertaken with little regard for economic realities or Romania's resources.

Several factors have contributed to Romania's current economic problems. One of the most important has been an overly ambitious

<sup>10</sup>Cam Hudson, "Romania's Economic Performance Flawed," RAD Background Report/173 (Romania), *Radio Free Europe Research*, June 18, 1981.

and faulty investment strategy. As part of its industrialization drive, Romania sought to build up its petroleum and petrochemical industries. These industries were to be fed by imports of cheap foreign oil and to produce exports that could be sold for hard currency, which would be used to buy Western technology to modernize Romanian industry.

This strategy made some sense in the era of cheap oil, but it became increasingly untenable after 1973-74, when the price of oil rose dramatically. Nevertheless, no attempt was made to cut back on petrochemical production. Instead, Romania continued to expand refining capacity, which required ever more imports of foreign oil. In addition, Romanian domestic oil production began to decline in 1976. In 1979, for the first time, imports of oil exceeded domestic production.

Romania's problems were further exacerbated by two other factors: (1) the fall of the Shah, who had been providing large quantities of oil on essentially a barter basis; and (2) the Iran-Iraq war, which led to a sharp reduction of oil deliveries to Romania. As a result, Romania had to scramble to buy oil on the world market and was forced to leave much of its refining capacity idle.<sup>11</sup> At the same time, the import of increasing quantities of foreign oil, which had to be paid for in hard currency, led to a dramatic rise in Romania's foreign debt, which had reached close to \$10 billion by the end of 1982.

Plans are in progress to try to alleviate some of Romania's dependency on foreign oil by reducing imports and increasing domestic production. But Romanian performance in expanding domestic oil production has consistently fallen below targets. In 1981, the first year of the 1981-85 five-year plan, domestic production of crude oil was about 1 million tons below the level specified in the plan.<sup>12</sup>

The rapid industrialization was carried out, moreover, at the expense of agriculture. In 1980, the growth rate of agricultural output was -5 percent, compared with 6.4 percent during 1971-75 and 4 percent in 1976-80. These difficulties were exacerbated by a poor harvest in 1980, which further reduced the level of agricultural output in many sectors.

The visible decline in agricultural output has resulted in chronic food shortages and long lines at food stores. The seriousness of these shortages was underscored by the promulgation of two laws in October 1981. The first introduced the rationing of bread and flour, and the second announced prison sentences of up to five years for hoarding of certain items. At the beginning of 1982, prices increased by 35 percent; in February 1983, they increased by another 35 percent.

<sup>11</sup>In 1981, about 30 percent of Romania's refining and petrochemical industry lay idle.

<sup>12</sup>*Scinteia*, July 2, 1981.

Recognizing the seriousness of the situation, Ceausescu has taken some steps to improve matters. In December 1981, the RCP Political Executive Committee approved a number of measures designed to increase agricultural output, including production bonuses, higher prices for the purchase of agricultural produce, and greater mechanization of agriculture. Romania has also begun to increase investment in agriculture. But these improvements remain largely on paper, and planning targets continue to be set unrealistically high.

Finally, Romania's continued adherence to a Stalinist economic model has exacerbated its economic problems. Romania maintains the most rigorous system of economic planning in the Soviet bloc. As a result, the Romanian economy lacked the flexibility to respond quickly to changing demand conditions on external markets. There were no automatic incentives in the system to encourage a reorientation of production, consumption, investment, and trade decisions in response to changing world prices. In addition, the effort to increase investment in the early 1970s gradually built up substantial demand pressure in the economy, which made it more difficult for Romania to adjust to international economic changes.<sup>13</sup>

Initially, Romania was more successful than other East European countries (e.g., Hungary) in weathering the economic disturbances that took place after 1973, in part because it did not rely as heavily on Soviet subsidies or raw-material imports and in part because it did not engage in heavy borrowing from the West (prior to 1978). The real downturn in the Romanian economy occurred in 1978—i.e., before the second round of external shocks in world markets. In contrast to Hungary, however, the primary causes of Romania's economic difficulties after 1978 were internal, not external: an excessively ambitious development strategy that slowed industrial growth and led to a visible increase in Romania's trade deficit, especially in the energy sector. Bucharest's large trade deficits after 1978 were financed largely by increases in foreign borrowing. At the same time, the Romanian leadership was slow to work out a viable adjustment strategy.

The deterioration of Romania's economic performance, especially Bucharest's burgeoning foreign debt, raised concerns in Western financial capitals about Romania's creditworthiness and led to a restriction of Western credit to Bucharest, which further increased Romania's economic difficulties. As a result of the curtailment of Western credit, Romania was forced to request a partial rescheduling of its commercial and official loans. Romania's credit difficulties, however, appear to

<sup>13</sup>See Laura D'Andrea Tyson, *Economic Adjustment in Eastern Europe*, The Rand Corporation, R-3146-AF, September 1984, pp. 75-76.

have been more the result of a perceived loss of confidence by its lenders than of the magnitude of the debt itself, which, while large, was still manageable in comparison to those of other East European countries. Had Romania put together a credible stabilization program and been willing to provide more satisfactory financial data, it might have been able to avoid rescheduling. Thus, as Tyson has suggested, Romania's difficulties in 1981-82 may reflect more a short-term liquidity crisis than a medium-term crisis.<sup>14</sup> If so, then Romania's economic adjustment problems may be somewhat less severe than might initially have been thought.

The partial rescheduling should help ease some of Bucharest's most immediate problems. A number of other developments should also help. In May 1982, the World Bank approved a \$10.5 million loan to help double the output of two of Romania's oil fields; and later, in June, the IMF resumed a three-year credit which it had suspended at the end of 1981. Moreover, during the negotiations with the IMF, Romania agreed to introduce a number of reforms, including a reduction in the import of energy; wage and price stabilization measures; a cutback in short-term loans; and provision of better information on its economy. If carried out, these measures should contribute to an improvement in Romania's economic performance in the coming years.

Bucharest's austerity measures, in fact, appear to be having some effect. In 1983, Bucharest had a small current account surplus, after payment of debt interest, in convertible currency. In early 1984, it canceled the last tranche of its standby credit from the IMF, in part because of an improvement in its general financial situation. Despite these encouraging developments, Romania faces a period of austerity and belt-tightening for a number of years. To achieve recovery, Bucharest will have little choice but to continue to slash hard-currency imports and expand exports. Food shortages are likely to persist and prices will continue to rise, leading to a further decline in the Romanian standard of living, which is already the lowest in Eastern Europe.

At the same time, the possibilities for rapid economic growth along the lines that occurred in the 1970s are increasingly limited. Like other countries in Eastern Europe, Romania is moving from a period of extensive growth to one of intensive growth, in which potential for growth depends more on efficiency. In the coming decade, Romania's growth potential will depend increasingly on its ability to dismantle its rigidly centralized economy and introduce meaningful reforms. To date, however, Ceausescu has shown little inclination to introduce such

<sup>14</sup>See Tyson, *op. cit.*, p. 94.

reforms. Indeed, in many ways, he has moved in the opposite direction—toward an increasing centralization of decisionmaking.

## DISSENT

The deterioration of the economy has coincided with, and to some extent reinforced, an increase in social restiveness among certain segments of the population. Thus far, the few manifestations of dissent that have occurred have tended to be spontaneous and relatively limited in scope, and the regime has had little difficulty in dealing with them. Given the probable continued decline in the economy in the next few years, however, it may be useful to examine the potential for dissent in greater detail.

### Intellectual Dissent

In contrast to other East European societies such as Poland, Hungary, and Czechoslovakia, intellectuals in Romania have not been a major source of dissent in the postwar period. Indeed, the remarkable degree of compliance by the intellectuals is one of the distinguishing features of postwar Romanian politics. To some extent, the lack of intellectual dissent may be attributed to the tight control over the society exercised by the party through the organs of coercion, mainly the security forces. The real reasons seem to lie deeper, however, and are related to the distinctive character of Romanian political culture: the lack of a deeply imbued tradition of independence among the intelligentsia; the traditional passivity of peasant society; the influence of the Orthodox Church, with its traditional deference to authority; and above all, the role of nationalism.<sup>15</sup>

Nationalism has been particularly important. The Romanian intelligentsia played an important role in the formation of the Romanian national state and were imbued with a sense of nationalism verging on chauvinism. While this nationalism initially conflicted with the communist regime's allegiance to internationalism and the Soviet Union, once Gheorghiu-Dej split with Moscow, he sought to use it to bolster his legitimacy and support. Writers were encouraged to address themselves to nationalist themes, which provided an officially sanctioned safety valve for creative energies that otherwise might have been directed toward criticism of the regime's repressive internal character or calls for domestic reform.

<sup>15</sup>Michael Shafir, "Political Culture, Intellectual Dissent and Intellectual Consent. The Case of Romania," The Hebrew University of Jerusalem, Research Paper #30, September 1978.



For the first few years after he came to power, Ceausescu followed a similar path. Writers were encouraged to expose injustices and distortions of "socialist legality" as part of Ceausescu's campaign of "de-Dejification." While many works, including Titus Popovici's play *The Power and the Truth* (a dramatization of the "Patrascanu affair"),<sup>16</sup> seemed daring examples of dissent, in reality, as Michael Shafir has noted, they were "products of consent" which served Ceausescu's political ends: to discredit Dej and his former associates, particularly Alexandru Draghici, the former Minister of Interior and one of Ceausescu's principal rivals for power.<sup>17</sup>

One of the most recent examples of this officially sanctioned nationalism has been the partial rehabilitation of Romania's prewar dictator Marshal Antonescu by Marin Preda, once considered a daring and outspoken young writer, in his novel *Delirul* (Delirium), published in 1975. The novel, which portrays Antonescu as a strong but tragic leader who had the best interests of his country at heart, was an instant best-seller.<sup>18</sup> Several other writers have taken a similar line, portraying Antonescu as having opposed persecution of the Jews by the Iron Guard.<sup>19</sup>

Not all writers have been willing to subordinate their creative talent to the demands of officially inspired nationalism, however. But those who have been too critical or outspoken have either been denied the right to publish or have been forced to emigrate. Probably the best known of the writers who have openly resisted Ceausescu's demand for conformity and orthodoxy is Paul Goma. Goma caused a minor stir in 1977 by expressing support for Chapter 77 in a letter to Romanian authorities and by openly criticizing the regime's human rights policy. Goma's courageous letter, which was signed by eight other dissidents, was hailed in the West but failed to arouse much support from other Romanian writers. After initial attempts to woo Goma failed, he was arrested and was later allowed to emigrate to France.

<sup>16</sup>Lucretiu Patrascanu was Romanian Minister of Justice from 1944 to 1948 and for a short time in 1946 was a member of the RCP Politburo. He was executed in 1954 on trumped-up charges of being an "Anglo-American spy." Ceausescu used an inquiry into his case to undermine Draghici, who had been Minister of Interior at the time of Patrascanu's execution and had helped to prepare the case against him. As a result of the findings in the inquiry, Draghici was stripped of his party functions at a plenum of the Central Committee in April 1968.

<sup>17</sup>Shafir, *op cit.*, pp. 10-11.

<sup>18</sup>For an analysis of the novel, see Anneli Maier, "Marin Preda's *The Delirium*: Historical Novel or Novelistic History?" *Radio Free Europe Research*, 94, June 6, 1975.

<sup>19</sup>Alexander Alexiev, *Party-Military Relations in Romania*, The Rand Corporation, P-6059, December 1977, pp. 17-18.

While few writers or intellectuals have been willing to speak out as openly as Goma, there has been a growing body of Romanian underground (*samizdat*) literature. One of the distinctive features of this literature is its cultural pessimism.<sup>20</sup> Few of the Romanian dissidents adhere to the "Neo-Marxist" strand of dissent represented by Roy Medvedev in the Soviet Union or the late Robert Havemann in the GDR. Rather, most of the Romanian dissident *samizdat* writings blame Romania's problems directly on Ceausescu and the Cult of Personality. Goma, for instance, holds Ceausescu personally responsible for the "poverty, economic chaos, demagoguery, insecurity and terror" in the country and accuses him of "monarchical tendencies."<sup>21</sup> Victor Frunze, a Marxist and a communist, in an open letter to Ceausescu, condemned the Romanian leader's efforts to make himself into "some sort of superman."<sup>22</sup>

Another common theme in Romanian *samizdat* is the rejection of Ceausescu's concept of independence, which many dissidents feel has led to a resurrection of Stalinism in Romania. They would prefer a freer, more liberal internal system along Hungarian lines, even if it meant a less independent foreign policy. They also reject Ceausescu's appeals to nationalism as a means to strengthen his legitimacy, and they see similarities between Ceausescu's rule and prewar fascism in Romania.

A final common thread running through Romanian *samizdat* publications is the tendency to blame many of Romania's problems on the West. Like Solzhenitsyn, many of the dissidents feel that the West has sold out Eastern Europe and that it has no real interest in disturbing the current *status quo*. This has led them to reject the Helsinki Accords, which they see as a "new Yalta."<sup>23</sup>

Such views are typical only of a small minority of Romania's intellectuals, however. The majority have reacted with resignation—or defection—rather than rebellion. Indeed, the increasing number of defections among diplomats and technocrats stationed abroad can be seen as an important indication of the degree to which the situation in Romania has deteriorated. Another sign is the growing number of applications for emigration, especially among the educated elite. This trend is obviously disturbing to the regime and appears to be one of the

<sup>20</sup>This section draws heavily on Vlad Georgescu, "Romanian Dissent: Its Ideas," in Jane Curry (ed.), *Dissent in Eastern Europe*, New York: Praeger, 1983. I am also indebted to Dr. Georgescu for discussing many of the personalities and ideas with me.

<sup>21</sup>P. Goma, "Open Letter to Pavel Kahout," January 1977, *Limite*, Paris, No. 24-25, September 1977, p. 9, cited in Georgescu, op. cit., p. 184.

<sup>22</sup>Victor Frunze, "Open Letter to N. Ceausescu," in Georgescu, op. cit.

<sup>23</sup>*Ibid.*

chief reasons for the imposition of an "education tax" on would-be emigrants, which was introduced by decree in November 1982.

The popularity of the so-called Transcendental Meditation sect among intellectuals and even government officials may be another reflection of this alienation.<sup>24</sup> Frustrated and depressed by the decline in the economic and intellectual atmosphere in Romania, many intellectuals appear to have sought refuge in mysticism and various otherworldly activities. Ceausescu decided to move against the sect in 1982, possibly prompted by the fear that it could become the center of an opposition group against him.

Over the long term, the growing alienation of the intellectuals, especially the technical intelligentsia, could pose problems for the regime. As modernization progresses, the role of the technocrats and the managerial specialists is likely to become more important. But if they remain disaffected—or if they emigrate in growing numbers—the regime could find it increasingly difficult to carry out the program of modernization and rapid industrialization to which it is strongly committed and which serves as one of its prime sources of legitimacy.

### Worker Dissent and Attitudes

Even more serious would be discontent among Romanian workers, which has been increasing in recent years. The most dramatic example of worker assertiveness was the strike by 35,000 miners in the Jiu Valley in August 1977, which ended only after Ceausescu's personal intervention. Since the beginning of 1980, repeated work stoppages in various parts of Romania, sparked in particular by food shortages, have been reported in the Western press.<sup>25</sup> In one incident, Ceausescu's

<sup>24</sup>Details about the Transcendental Meditation affair remain shrouded in mystery. The sect was first discussed in an article published in the monthly *Pentru Patrie* (*For the Fatherland*), edited by the Ministry of Interior for its employees and normally not available to Romanian citizens or to readers in the West. (The article appears to have circulated in photocopies, however.) According to *Pentru Patrie*, courses in Yogi and spiritual meditation were held at the Bucharest Education and Psychology Research Institute by a Romanian émigré, Nicolae Stoian, and his Swiss wife, who had joined a "mystic sect" called Transcendental Meditation. The aim of this sect, according to *Pentru Patrie*, was to brainwash the Romanian people and subvert the government, with the ultimate aim of pulling Romania out of the Warsaw Pact. The discovery of the sect led to the purge of about 250 government officials and the interrogation of an additional 1500 in the spring of 1982. The most prominent casualty of the purges was Aneta Spornic, Minister of Education and a member of the Political Executive Committee of the RCP. Several members of the security forces and the Ministry of Interior, including Deputy Minister of Interior Major General Vasile Moise, also lost their posts. See Situation Report/10 (Romania), *Radio Free Europe Research*, May 18, 1982.

<sup>25</sup>*The New York Times*, April 25, 1981.

helicopter was reported to have been stoned by the miners in the Mora Valley, forcing him to turn back to Bucharest.<sup>26</sup>

In general, such incidents have represented sporadic acts of violence rather than organized resistance on the part of the workers. In 1979, however, several efforts were made to set up free trade unions. The most important of these was the foundation of the Romanian Free Workers Union (SLOMR). Initially, SLOMR focused on economic grievances such as unemployment, wages, vacations, etc., but its demands later became more political and included calls for the abolition of censorship and free access to the press and radio.<sup>27</sup> Shortly after SLOMR was founded, the regime cracked down, arresting a number of founding members. Since then, there has been no attempt to revive the union.

Nevertheless, Romanian sociological surveys show growing dissatisfaction among Romanian workers over such issues as pay levels, availability of consumer goods, and distribution of income.<sup>28</sup> There have been signs of growing dissatisfaction with the role of the workers' councils, which many workers feel do not adequately represent their interests.<sup>29</sup> Workers' councils (*Consilior Oamenilor*, or COM) have existed in Romania since 1971, but they have been dominated by party functionaries and have had little power. After the strikes in the Jiu Valley, the regime put a new emphasis—at least rhetorically—on the importance of workers' councils, and some minor changes, including increasing the number of elected workers, were introduced. While these measures were largely cosmetic and in no way seriously weakened the party's control of the councils, they appear to reflect greater sensitivity on the part of the regime to worker discontent.

### Religious Dissent

There has also been an upsurge of religious dissent in Romania in the last few years. This has not been limited to any one group but has incorporated a number of religious groups: Baptists, Protestants, and Orthodox. One of the most important manifestations of religious dissent occurred in March 1977, when six "Evangelical Christians from Romania" appealed to Romanian Christians to fight for their religious

<sup>26</sup>*Le Monde*, November 16, 1981; *Le Matin*, November 11, 1981.

<sup>27</sup>See SLOMR's charter in *AFL-CIO Free Trade News*, Vol. 34, May 1979, pp. 3-5.

<sup>28</sup>See the data cited in Dan N. Nelson, "Worker-Party Conflict in Romania," *Problems of Communism*, September-October 1981, p. 46.

<sup>29</sup>Dan N. Nelson, "Workers in a Workers State," in Daniel N. Nelson (ed.), *Romania in the 1980s*, Boulder, Colorado: Westview Press, 1980, pp. 778-779.

rights guaranteed in the constitution.<sup>30</sup> A year later, in July 1978, they issued a 24-point "Program of Demands" aimed at reforming Church-state relations. Among their demands were an end to state interference in Church and religious matters and the freedom to build churches and publish religious literature without state supervision.<sup>31</sup> Perhaps most significantly, they demanded the right to refuse to sign the oath of loyalty to the RCP. One of the principal figures in the religious revival is Father G. Calciu, who also played a role in the formation of SLOMR. Arrested for his dissident activities, he is currently serving a ten-year prison term. Many of the Protestant religious groups have begun to develop strong ties to Western religious and human rights organizations.

Despite the visible growth of dissent, especially among the workers, it is unlikely that Romania will witness the type of widespread unrest that engulfed Poland in 1980-81. In the first place, Romania remains essentially a peasant society. Much of the Romanian working class has only recently been urbanized, and it lacks the working-class consciousness that characterizes the proletariat in Poland. Second, the degree of repression and social control is much greater in Romania, which makes it much harder for workers or other dissident groups to organize. Third, unlike Poland, where the Catholic Church has served as a symbol of resistance for centuries and a rallying point for opposition to the regime, the Orthodox Church has a tradition of deference to authority and has served as a transmission belt for the regime. Finally, the intelligentsia lack a strong independent tradition and have, in contrast to Poland, made no effort to forge links with the workers.

### **Ethnic Minority Dissent**

Possibly the most serious source of discontent in Romania at the moment is the ethnic minorities, particularly the 1.7 million Hungarians living mainly in Transylvania. The Hungarian minority comprises about 9 percent of the population and has a highly developed sense of national identity. In recent years, the Hungarians have become increasingly upset with Ceausescu's Romanization policies, which they claim consciously discriminate against them and are aimed at forced assimilation. As evidence, they cite the decline in the number of Hungarian language schools and the reduced professional opportunities for unassimilated Hungarians. The Hungarians are also resentful of the great influx of Romanians into the urban areas inhabited by

<sup>30</sup>Georgescu, *op. cit.*

<sup>31</sup>*Ibid.*

Hungarians. To some extent, this influx has been part of the larger process of industrialization which Ceausescu has pushed with such intensity. The result of this policy has been the increasing Romanization of the Transylvanian cities, the historic focal points of Hungarian and Saxon culture.

Since the late 1970s, the Hungarian minority has become more open and assertive in its criticism of Ceausescu's policies. In 1978, for instance, a letter was published in the West from Karoly Kiraly, a former member of the Political Executive Committee, which openly attacked Ceausescu for "forcibly assimilating nationalities living in Romania."<sup>32</sup> More recently, a group of ethnic Hungarians living in Romania sent an appeal to Western governments participating in the Conference on Security and Cooperation in Europe (CSCE) in Madrid, asking them to set up an international commission to look into the treatment of the Hungarian minority in Romania and to put pressure on the Romanian government to halt its discrimination against them. The appeal also demanded equal status for the Hungarian language, the reopening of Hungarian language schools, and political autonomy for areas where Hungarians are a majority.<sup>33</sup>

Another important reflection of the more assertive attitude of the Hungarian minority has been the growth of the Hungarian language *samizdat* publication, *Ellenpontok* (Counterpoints). The publication has been sharply critical of Romanian policy toward the Hungarian minority and has even attacked Ceausescu personally for being anti-Hungarian.<sup>34</sup> Moreover, some of the figures associated with the journal appear to have links to dissident groups within Hungary—a source of concern to both Bucharest and Budapest. In November 1982, the Romanian government arrested a number of Hungarian intellectuals linked to the journal, including the poet Geza Szocs.<sup>35</sup>

In and of itself, the dissatisfaction among the Hungarian minority is not of great consequence. Its significance lies in its impact on relations with Hungary, and indirectly with the USSR. The Hungarian minority issue has been a perennial bone of contention between Hungary and Romania. While the Kadar regime has generally sought to downplay the issue, over the last few years polemics between the two countries have escalated,<sup>36</sup> and Kadar has come under increasing pressure,

<sup>32</sup>*The New York Times*, February 1, 1978.

<sup>33</sup>*Financial Times*, November 22, 1982.

<sup>34</sup>"Hungarian-Romanian Polemics over Transylvania Continue," RAD Background Report/238 (Hungary), *Radio Free Europe Research*, November 15, 1982.

<sup>35</sup>*Sueddeutsche Zeitung*, February 19/20, 1983.

<sup>36</sup>See George Cioranescu, "An Escalation of Polemics on Transylvania," RAD Background Report/162 (Romania), *Radio Free Europe Research*, August 11, 1982; and Alfred

especially from Hungarian intellectuals, to take a stronger stand. Diplomatic efforts to resolve the issue have generally been disappointing. As a result, relations between the two countries remain cool.

The real significance of the Hungarian minority issue, however, lies in its potential for manipulation by the USSR. The issue is one of the most important means by which Moscow can exert pressure on Romania. While the current differences between Budapest and Bucharest appear to be indigenous in origin, at some point the Soviet Union could decide to play "the Hungarian card" in an effort to exploit Ceausescu's economic difficulties and pressure him to align his policies more closely with those of the rest of the bloc.

### **Dissent Within the Party**

As noted earlier, since the retirement of Ion Gheorghe Maurer in 1974, no party member has enjoyed enough independent prestige or stature to be considered a serious potential rival to Ceausescu. Through his policy of rotation of cadres, Ceausescu has been able to prevent any potential rivals from obtaining a power base. In fact, Ceausescu's recent transfer of such close former associates as Niculescu and Verdet appears to have been motivated as much by his desire to eliminate them as potential rivals as anything else.

In general, there has been almost no open resistance to Ceausescu within the party. The one notable exception was an unexpected spontaneous attack on Ceausescu at the 12th Party Congress in 1979 by Constantin Pirvulescu, an 84-year-old Moscow-trained RCP member. Pirvulescu's criticism was the only sour note in an otherwise well-orchestrated Congress and can be considered more an angry outburst by an old revolutionary who had very little to lose than a reflection of widespread dissent within the party. Nonetheless, Pirvulescu probably expressed openly what many other RCP members were thinking silently but feared to say.

### **THE MILITARY AND SECURITY FORCES**

One factor that is likely to have an important bearing on future developments in Romania is the attitude of the military and the secu-

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Reisch and Judith Pataki, "Hungarian-Romanian Polemics over Transylvania Continue," RAD Background Report/238 (Hungary), *Radio Free Europe Research*, November 15, 1982.

rity forces.<sup>37</sup> These institutions play a key role in ensuring internal and external security, and their loyalty is essential to the Ceausescu regime. If the economic situation continues to decline and social discontent grows, their role could become even more important. Indeed, it could become the crucial factor in Ceausescu's survival.

The role of the military and security forces assumes particular significance in light of developments in Poland, which some analysts have suggested could set a precedent for other countries in Eastern Europe. However, the role played by the military in Romania differs significantly from that in Poland. Unlike the Polish army, the Romanian armed forces do not have a tradition of intervention or deep involvement in politics, nor do they possess the social prestige or autonomy enjoyed by the Polish military.<sup>38</sup>

Party control over the military, moreover, is very tight. In 1969, the entire military security apparatus was put under the control of the Defense Council, which has overall responsibility for defense policy. The Council is chaired by Ceausescu, who is Supreme Commander of the armed forces, and it is directly responsible first to the RCP and second to the Grand National Assembly.<sup>39</sup> Party control is further strengthened through a system of overlapping memberships in the top policymaking bodies. A number of important party leaders are members of two, and in some cases three, of the top policymaking bodies: the RCP Executive Committee, the Council of Ministers, and the Defense Council. The RCP also exerts its control through the Higher Political Council in the army, the political arm of the military, which appoints political officers down to the battalion level.<sup>40</sup> These officers work closely with their professional counterparts, as well as local party leaders at their respective levels. Moreover, the commander of the Higher Political Council has always been a trusted associate of Ceausescu, which has helped to ensure not only party control but also loyalty to Ceausescu personally.<sup>41</sup>

In addition, since 1971, Ceausescu has carried out a number of large-scale purges of the military designed to weed out officers who might have pro-Soviet sympathies or could be considered unreliable.

<sup>37</sup>For several recent studies see Alex Alexiev, op. cit.; Ivan Volgyes, *The Political Reliability of the Warsaw Pact Armies: The Southern Tier*, Durham, North Carolina: Duke Press Policy Studies, 1982; and Walter Bacon, "The Military and the Party in Romania," in Dale Herspring and Ivan Volgyes (eds.), *Civil-Military Relations in Communist Systems*, Boulder, Colorado: Westview Press, 1978.

<sup>38</sup>Volgyes, op. cit., p. 53.

<sup>39</sup>Bacon, op. cit., p. 174.

<sup>40</sup>Volgyes, op. cit., p. 51.

<sup>41</sup>Bacon, op. cit., p. 173.



His policy of rotation of cadres has allowed him to remove or retire officers in the higher ranks of the military or security forces whose loyalty might be suspect. In most cases, he has replaced them with his own men or members of his family, thereby enhancing his personal control of the military and security forces.

While the military has recently become increasingly involved in the policy process, its role remains relatively modest. Military representation in the Central Committee, for instance, has remained fairly constant at about 3 percent over the past 15 years. At the 12th Party Congress in 1979, eight high-ranking military officers were elected to full membership in the Central Committee, and an additional four were elected to alternate membership (compared with seven and four, respectively, in 1974). Three generals also serve as full or alternate members of the RCP Political Executive Committee.<sup>42</sup> Most military representatives are drawn from the Higher Political Council of the armed forces. In short, party loyalty is an important criterion for advancement into the top decisionmaking bodies.

One of the chief concerns of the party—and of Ceausescu personally—has been the possible existence of pro-Soviet sympathy within the ranks of the military. Of all the institutions in Romania, the military and security forces have had the closest ties to the Soviet Union. After the communist seizure of power, the Romanian army was reorganized along Soviet lines and outfitted with Soviet equipment. Soviet advisers were attached to the Romanian army, and Romanian officers were sent to the Soviet Union for training and indoctrination.

This process of bolshevization was carried out by Emil Bodnaras, a member of the "Muscovite" wing of the RCP who had strong pro-Soviet sympathies. Bodnaras left the Ministry of the Armed Forces in 1956 but continued to exert an influence on military affairs until his death in 1976. It is thus possible that a residue of pro-Soviet sympathy could exist within the Romanian military.

Such speculation is given greater credibility by the case of General Ion Serb, commander of the Bucharest Garrison and Deputy Minister of Internal Affairs, who was tried in 1972 for allegedly passing secrets to the Soviets.<sup>43</sup> Serb's dismissal coincided with a large-scale purge and reshuffling within the military and the Ministry of Internal Affairs. While the circumstances surrounding these purges have never been clarified, there is reason to believe that they may have been

<sup>42</sup>Generals Ion Dinca, Ion Coman, and Defense Minister Constantin Olteanu are full members of the Political Executive Committee.

<sup>43</sup>Robert R. King, "Romanian Difficulties in Military and Security Affairs," Background Report/6 (Romania), *Radio Free Europe Research*, March 6, 1972.

connected with pro-Soviet sympathies within Romania's military and security forces.<sup>44</sup>

If such pro-Soviet sympathies did exist at one time, it is highly unlikely that they are very strong today. Over the last 15 years, the Romanian army has undergone a process of "renationalization." Ties with the Warsaw Pact have been reduced, and few if any officers are sent to the Soviet Union for military training. While Bucharest does periodically send staff officers to attend Warsaw Pact maneuvers, it has not allowed Warsaw Pact exercises on its soil, nor has it participated in joint Warsaw Pact maneuvers since the mid-1960s. Indeed, one of the key tenets of Romanian foreign and defense policy under Ceausescu has been opposition to supranational control and insistence that the Romanian army remain under national control.

In line with this, Romanian defense policy was revamped in the wake of the Soviet intervention in Czechoslovakia, making "the struggle of the entire people" (*lupta intreguli popor*)—i.e., the mass mobilization of the entire population in the defense of national territory—the basis of Romanian defense strategy.<sup>45</sup> These changes were codified in a law on national defense adopted by the Grand National Assembly in 1972. Among other things, the law emphasizes the defense mission of the Romanian armed forces and prohibits the surrender of national territory to a would-be invader.<sup>46</sup> While the name of the invader is never specifically spelled out, most Romanians—and particularly the officer corps—are well aware that the most likely threat to Romania today comes from the Soviet Union.

While the greatest part of its military equipment continues to come from Moscow, Romania has also made a concerted effort in recent years to diversify the sources of its arms. The Romanian navy, for instance, has purchased some fast-attack aircraft of the Shanghai and Hu Chwan class from China. Bucharest has also cooperated with Yugoslavia on the development of an advanced fighter aircraft, the Orao. At the same time, Romania has sought to expand its military cooperation with neutral countries in the West such as Austria and Switzerland. All these moves have been designed to strengthen the basis of Bucharest's independent foreign policy and reduce its dependence on Moscow.

Romanian officers (as well as the population at large) are subjected to a heavy dose of nationalistic propaganda which emphasizes the

<sup>44</sup>Ibid.

<sup>45</sup>*National Defense: The Romanian View*, Bucharest: Military Publishing House, 1976, especially Chaps. 4 and 5.

<sup>46</sup>*Scinteia*, December 28, 1972.

historic sacrifices of the Romanian people in the struggle to preserve their national independence. The military plays an important socialization role in this process and in recent years has assumed wide-ranging responsibilities for the patriotic/political training of Romanian youth.<sup>47</sup> Indeed, the military is one of the most important instruments for transmitting nationalist values. This intense nationalism and the reorientation of Romanian defense policy have had a strong impact on the values and attitudes of the officer corps.

There are other issues besides pro-Soviet sympathy, however, that could become possible sources of discontent with the military. One is the low quality of Romanian military equipment. Ceausescu's attempt to carve out a special position within the Warsaw Pact has made Moscow reluctant to supply Bucharest with the up-to-date military arms and equipment that it supplies to the rest of its allies. At the same time, the West has been generally reluctant to expand military ties with Romania because of its membership in the Warsaw Pact. At some point, some officers could begin to question whether Ceausescu's continued independence from the Soviet Union has not undercut Romania's ability to defend itself.

Economic constraints in recent years have reduced the funds available to the military, and officially announced military expenditures as a proportion of total government expenditure and of GNP have declined over the past decade. Throughout most of the 1980s, Romania has spent less than 2 percent of its GNP—far less than other Warsaw Pact countries—on the military. Moreover, given Romania's current economic difficulties, the constraints on military spending are likely to increase. In the past, Romania has opposed increases in Warsaw Pact defense spending (most conspicuously at the November 1978 Warsaw Pact meeting in Moscow), and in January 1983 Bucharest announced that it intended to freeze defense spending for the next three years at the 1982 level—a move that is not likely to be greeted with great enthusiasm by the Romanian military.<sup>48</sup>

Economic constraints have also played a role in Romanian defense policy. As noted earlier, since 1972, Romania has made the concept of "the struggle of the entire people" the basis of its defense policy. This concept is based on territorial defense and a full mobilization of Romania's resources, material and human, to fight against a would-be aggressor. The doctrine seeks to substitute operational flexibility and manpower for more expensive high technology. As Walter Bacon has pointed out, such a strategy is attractive to a developing country like

<sup>47</sup>Alexiev, *op. cit.*, p. 28.

<sup>48</sup>*The Financial Times*, January 18, 1983.

Romania because it requires minimal diversion of scarce resources from economic development and gives priority to investments for social modernization.<sup>49</sup>

To some extent, though, this strategy diminishes the role of the military in national defense. The territorial units—the Patriotic Guards and paramilitary youth training formations—are under direct party control.<sup>50</sup> Moreover, the doctrine itself emphasizes that national defense is the duty not only of the military but of the entire people. It is conceivable that this diminution of the role of the military in the country's defense could cause some resentment within the professional officer corps.

The most likely source of disaffection within the military is probably the sheer corruption and bankruptcy of the Ceausescu regime. There is a growing sense in many circles in Romania that the current situation in Romania simply cannot continue much longer. Ceausescu has brought the country to the brink of economic catastrophe. At the same time, his personal behavior shows increasing signs of irrationality and instability. Eventually, a group of officers—perhaps in coalition with some of Ceausescu's former lieutenants—might decide to take matters into their own hands in an effort to rescue the nation from what they perceive as certain catastrophe.

In early January 1983, there were unconfirmed reports that several military officers actually attempted a coup, which was crushed by Ceausescu before it could be fully implemented. While the veracity of these reports has never been fully established, there have been indirect indications of possible discontent within the military. Shortly after the rumors of the abortive coup, for instance, Defense Minister Constantin Olteanu was elevated to the Political Executive Committee (March 1983). In addition, since 1983, Ceausescu has made a visible effort to strengthen his ties to the army—for example, military personnel have become more active in ideological and historical discussions. Government and party propaganda has also put greater emphasis on the patriotic role of the army in preserving national sovereignty and its ties with the nation.<sup>51</sup>

<sup>49</sup>Walter Bacon, "Romanian Military Policy in the 1980s," in Nelson (ed.), op. cit., p. 209.

<sup>50</sup>Walter Bacon, "The Military and the Party in Romania," op. cit., p. 1.

<sup>51</sup>This was particularly visible during 1983 in the many articles devoted to the army's role in the August 1944 coup that overthrew the Antonescu regime and in the commemoration of the founding of the unified Romanian state in 1918. See Anneli Maier, "Romania Commemorates Foundation in 1918," RAD Background Report/30 (Romania), *Radio Free Europe Research*, March 1, 1984.

In the past several years, the number of defections within the Romanian intelligence services has also increased. The most important of these was that of General Ion Pacepa, Deputy Head of the Romanian Intelligence Service, who defected to the United States while on a trip to West Germany in the summer of 1978. Pacepa's defection came as a great shock because of his close ties to Ceausescu, and it led to a purge of the Intelligence Service. Despite this action, defections at lower levels have continued to occur.<sup>52</sup>

None of this, of course, indicates that Ceausescu presently faces a serious threat from the military or security forces. But it does suggest that dissatisfaction within the military/security apparatus may be greater than is normally assumed and that the regime is concerned about it. At any rate, the military/security factor bears close scrutiny in the coming years, especially if the economic situation continues to deteriorate.

## FOREIGN POLICY

Since the early 1960s, Romania has increasingly sought to expand its autonomy in foreign affairs, clashing with the Soviet Union on a variety of issues. Disagreement with Moscow first surfaced over the issue of economic integration within Comecon.<sup>53</sup> After Ceausescu took over leadership of the RCP from Gheorghiu-Dej in 1965, the areas of divergence were broadened. In 1967, Romania provoked a crisis in the Warsaw Pact by becoming the first (non-Soviet) Warsaw Pact country to establish diplomatic relations with Bonn. In the same year, it again broke ranks with Moscow by maintaining neutrality in the Arab-Israeli war. Within the Pact, it clashed with Moscow over its demands for revision of the Pact Command structure, which would have given East European countries greater say in Pact decisionmaking. And in 1968, Ceausescu refused to participate in the Soviet invasion of Czechoslovakia, which he termed a flagrant violation of international law.

In the 1970s, Romania sought to build upon the foundations that had been laid in the previous decade. It joined the IMF and the World Bank and expanded economic relations with the West. At the same time, it worked to develop its ties to the Third World, seeking membership in the Group of 77 and securing guest status at the Non-Aligned

<sup>52</sup>A more recent example is the defection in the summer of 1982 of the Romanian agent sent to assassinate dissident Romanian writers Paul Goma and Virgil Tanase (see below).

<sup>53</sup>The best study of the origins of the dispute remains John Michael Montias, *Economic Development in Communist Romania*, Cambridge, Mass.: MIT Press, 1967.

Conference in 1976. All the while, it continued to play an important mediating role in the Middle East, particularly during the initial phases of the Camp David process.

These initiatives earned Romania a reputation as a maverick within the Warsaw Pact and enhanced Ceausescu's image and stature in the West. Maintaining this position in the future, however, is likely to be more difficult: The international environment in which Romania will have to operate is considerably more adverse than it was when Romania first embarked upon its independent course.

Three factors in particular have aided Romania's efforts to pursue an independent policy: (1) détente, (2) Romania's ties to the West, and (3) its ties to China.

**Détente.** Romania's independent policy emerged in an era of East-West détente. The relaxation of tensions between the two superpowers and the more fluid atmosphere in East-West relations in the late 1960s and early 1970s provided the room for maneuver that allowed Romania to expand its autonomy. The more recent deterioration of relations between Moscow and Washington has imposed new constraints on Romania's maneuverability and has increased the pressure on all East European countries, Romania included, for greater conformity.

**Ties to the West.** In the late 1960s and early 1970s, Romania consciously sought to expand its ties to the United States and key West European states, especially France and West Germany. These ties were an important source of political and psychological support in Bucharest's disputes with Moscow, and they made it easier for Bucharest to stand up to the Kremlin on specific issues. At the same time, the expansion of trade with the West allowed Romania to decrease its trade with Comecon and broaden its economic ties to a variety of countries in the Third World. This increasing economic independence was an important prerequisite for expanding Bucharest's political independence.

Over the past decade, however, Romania has found it increasingly difficult to sell its goods on the Western market, and trade with the West has declined.<sup>54</sup> At the same time, Romania's growing economic difficulties at home, especially its rising foreign debt, reduced Western confidence in Romania's creditworthiness and led to a restriction of Western credits to Romania, further exacerbating its economic problems. While there have recently been some signs of improvement in Romania's financial position—its balance of trade showed a small surplus in 1983, for instance—Romania will continue to find it difficult

<sup>54</sup>Between 1975 and 1980, the share of Romania's trade with the West declined from 36.7 percent to 30.6 percent.

to obtain the type of Western economic support it has enjoyed in the past.

Political ties to the West have also suffered. Relations with the United States provide a striking example. In the late 1960s and early 1970s, the United States assiduously cultivated Romania in an effort to encourage its independence from Moscow. President Nixon visited Romania in 1969, and in 1975 Romania was awarded most favored nation (MFN) status. Ceausescu also paid an official visit to the United States in 1978.

But in the last several years, relations have cooled, largely due to Romania's poor human rights record. Congressional concern with Romania's imposition of an educational tax on would-be emigrants in 1983, for instance, nearly led to the revocation of Romania's MFN status. While these difficulties appear to have been overcome as a result of assurances from the Romanian government that it will not enforce the tax,<sup>55</sup> Bucharest is likely to face continuing problems with Congress because of its human rights record.

Bucharest's ties to Western Europe have also deteriorated. Relations with France—traditionally one of Romania's closest friends in the West—remain cool as a result of an abortive assassination attempt by the Romanian Intelligence Service on two Romanian dissidents living in Paris, which caused French President Mitterrand to cancel a scheduled visit to Bucharest.<sup>56</sup> At the same time, Romanian trade has declined steadily since 1979 and Romania has had to take a backseat to Hungary as France's preferred trading partner in Eastern Europe.

Relations with West Germany, Romania's main trading partner in the West, have also experienced difficulties. As the first Warsaw Pact country to establish diplomatic relations with Bonn (January 1967), Romania had special advantages during the time that Bonn did not have relations with any other East European country. But with the expansion and institutionalization of West Germany's *Ostpolitik*, Romania lost its unique position. In addition, relations continue periodically to be strained as a result of Bucharest's treatment of the 300,000 ethnic Germans in Romania, many of whom wish to emigrate. While the situation has improved visibly since West German Foreign Minister Hans-Dietrich Genscher's visit to Bucharest in May 1983,<sup>57</sup> it

<sup>55</sup>*The New York Times*, May 19, 1983.

<sup>56</sup>Details of the assassination plot were revealed when the agent sent to murder Virgil Tanase and Paul Goma defected in France. For a comprehensive analysis of this bizarre incident, see Anneli Maier, "Tanase's Reappearance—Facts, Findings and Hypotheses," Background Report/184 (Romania), *Radio Free Europe Research*, September 16, 1982.

<sup>57</sup>The Romanians agreed not to impose the education tax on ethnic Germans wishing to emigrate, in return for Bonn's agreement to sign the Western agreement rescheduling

is likely that the issue will continue to complicate relations in the future.

**Ties to China.** The third important factor that aided Romania in its pursuit of an independent foreign policy in the past two decades was the Sino-Soviet dispute and Romania's ties to China. Since the early 1960s, Romania has maintained a position of studious neutrality in the Sino-Soviet dispute and has refused to join in Soviet-inspired condemnations of China. It has also established military ties to China and has bought a limited amount of military equipment from Beijing (mostly patrol boats).

In the early 1970s, ties warmed to the point of causing concern in Moscow about the possible emergence of a Beijing-Bucharest-Belgrade axis. Today, however, there is a greater sense of the limits of such cooperation—on all sides. While Bucharest continues to maintain good relations with Beijing, the early ardor has been tempered. Romania is aware that in the face of a serious threat from the USSR, it can expect little more than strong verbal support from Beijing. At the same time, Moscow's recent efforts to improve relations with Beijing add a new element of uncertainty to the Balkan equation. Any serious rapprochement between Beijing and Moscow—of which there is yet no real sign—would constrain Romania's room for maneuver and make it more difficult for Bucharest to play one communist giant off against the other.

### The Third World

In addition to the factors discussed above, Romania's economic difficulties, especially those with the West, have prompted it to give increasing attention to the Third World, especially in the economic area. The percentage of Romanian trade with the developing countries, for instance, increased from 4.7 percent in 1960 to 28.8 percent in 1980. Most of this increase has come at the expense of Comecon, but some has been a result of the drop in Romanian trade with the West. In addition to a large increase in the number of joint ventures established with developing countries, there has been a significant expansion of loans and credits to the Third World.<sup>58</sup>

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Romania's debts in 1982 and to join the negotiations on rescheduling the debts for 1983. In addition, press reports said the West Germans had agreed to increase lump-sum payments made to Romania from about 5,000 DM for each resettler to 8,000 DM. See *Neue Zuercher Zeitung*, August 13, 1983.

<sup>58</sup>According to Western sources, between 1954 and 1976, Romania granted developing countries nearly \$1,800 million in aid—about one-quarter of all the aid granted by Comecon countries (excluding the USSR) during that period. (*Agence France Presse*, March 31, 1978.)



These economic ties have been complemented at the political level by Romania's decision to join the Group of 77 and its attendance at the Non-Aligned Conference. Romania recently came out strongly in favor of the convocation of a summit of developing countries.<sup>59</sup> In addition, Ceausescu has engaged in a frenetic schedule of shuttle diplomacy designed to bolster Romania's ties throughout the Third World.

The main aim of this policy has been (1) to expand political support for Romania's independent path in the Third World; (2) to open new markets for industrial products, which Romania has difficulty selling in the West; and (3) to secure new sources of energy and raw materials, which are needed to continue Romania's policy of rapid industrialization. The dividends from Romania's expanded ties with the Third World have been relatively modest, however. On the economic level, Romania has developed a deficit in its Third World trade balance,<sup>60</sup> mainly due to foreign oil imports, which has led some economic managers to suggest that trade relations with the developing countries should be cut back. On the political level, Bucharest has found that its attempt to achieve closer ties with many developing countries is inhibited by its membership in the Warsaw Pact.

### The Balkans

An additional factor that aided Romania's pursuit of foreign-policy autonomy was the strong support rendered by its Balkan neighbor Yugoslavia. Belgrade and Bucharest share a common interest in resisting Soviet hegemony in the Balkans. After the invasion of Czechoslovakia in August 1968, cooperation between the two countries intensified and a concerted effort was made to coordinate foreign and defense policies. One of the most important examples of this cooperation in the security area was the decision to coproduce a jet fighter, the Orao.

Tito's death, however, removed Ceausescu's main interlocutor on security matters. At the same time, Belgrade's current economic difficulties have raised new uncertainties about Yugoslavia's internal stability and the value of the Yugoslav connection. A Yugoslav leadership wracked by the reemergence of ethnic tensions and plagued with mounting economic difficulties would be much less able to withstand pressure from Moscow. Any weakening of Belgrade's commitment to

<sup>59</sup> *Agerpres*, August 16, 1982.

<sup>60</sup> While Romania enjoyed a favorable balance of trade with the developing countries during 1971-75, it suffered a deficit of 713 million rubles in 1976-80. (*Revista Economica*, No. 54, November 12, 1982, p. 26.)

nonalignment would leave Romania more isolated and would affect its ability to pursue its independent course.

To this must be added the possibility of renewed turmoil in Albania. As long as Enver Hoxha is in power, there is likely to be little change in Albania's policy. However, Hoxha is over 75 years old and in poor health. His sudden death or removal could spark a fierce succession struggle, which Moscow might try to exploit in an effort to regain a foothold in the Balkans.<sup>61</sup> Any restoration of Soviet influence in Albania would also constrain Bucharest's room for maneuver.

These new uncertainties have been partly responsible for Romania's emphasis on the need to strengthen Balkan cooperation. The core of Romania's policy in the Balkans has been its support for the creation of a nuclear free zone. Romanian support for this idea is hardly new; it can be traced back to 1957, when Prime Minister Chivu Stoica sent messages to Greece, Turkey, Yugoslavia, Bulgaria, and Albania proposing a conference to promote Balkan détente. Since then, Romania has been the strongest proponent of turning the Balkans into a zone of "peace and security," a region devoid of nuclear weapons.

Yet, as the Balkan conference held in Athens in early 1984 demonstrates, there are distinct limits to how much support Romania can expect from other Balkan countries on the nuclear-free-zone issue. Turkey remains opposed to even formally discussing the idea, while Yugoslavia has made it clear that it has strong reservations about the feasibility of such a zone under current conditions.<sup>62</sup> Greek Prime Minister Andreas Papandreou has given the idea great rhetorical prominence, but more out of a desire to appease his left wing than out of fervent conviction. Moreover, as long as Turkey maintains nuclear weapons on its soil, Greece is likely to be reluctant to withdraw nuclear weapons unilaterally.

Only Bulgaria has wholeheartedly supported the idea. However, the timing of Bulgarian leader Todor Zhivkov's initiative—two days after Papandreou's election—combined with Bulgaria's reputation as a stalking horse for Moscow, strongly suggests that Sofia's support is related to wider Soviet goals in the Balkans. As for Moscow, its support of a Balkan nuclear-free zone seems primarily aimed at exacerbating current divisions on NATO's southern flank and encouraging Papandreou to loosen Greece's ties to the United States and NATO. Moscow clearly has little to lose by playing up the idea, since, as far as is

<sup>61</sup>Moscow might, for instance, seek to exploit factional struggles and ethnic rivalries to increase its influence.

<sup>62</sup>Slobodana Stankovic, "Yugoslavia and 'A Nuclear Free Zone' in the Balkans," RAD Background Report/113 (Yugoslavia), *Radio Free Europe Research*, May 14, 1982.

known, there are no nuclear warheads on the territory of any Warsaw Pact states in the Balkans.<sup>63</sup>

## RELATIONS WITH THE SOVIET UNION AND COMECON

The changing international context, particularly Romania's growing economic problems at home, has also had an impact on Romania's relations with Moscow and its other East European allies. While Romania continues to oppose any form of supranational planning, it has shown a greater willingness to cooperate with Comecon, especially on matters concerning raw materials, energy, and fuels. Indeed, calls for closer cooperation in this area have been one of the leitmotifs of Romanian policy since 1980.<sup>64</sup> Trade, which increased dramatically with the West from 1960 to 1980, also has begun to shift back toward Comecon.<sup>65</sup>

Differences continue to exist, however, as to how this cooperation can best be carried out. The Romanians would like preferential treatment similar to that given Vietnam, Cuba, and Mongolia—a request which Moscow has rejected. They also want increased participation in multilateral, long-term agreements that would ensure the meeting of the country's fuel needs with barter trade and greater involvement in CMEA high-technology projects. The main bone of contention between Bucharest and Moscow, though, has been over economic integration. The Soviets have argued that the degree of planning coordination to date is insufficient and that the national economic mechanisms as well as the planning systems of the national economies should be closely coordinated. Romania, on the other hand, has continued to reject supranational planning and has insisted that the current degree of coordination is sufficient.

In general, Moscow has been less than enthusiastic about helping Romania economically. Two agreements were concluded at the June 1984 Comecon summit—one on additional deliveries of gas, and a

<sup>63</sup>Both Bulgaria and Romania have FROG and SCUD nuclear-capable surface-to-surface missiles, but there is no evidence that nuclear warheads have been supplied to any member of the Warsaw Pact. (*The Military Balance 1982-83*, London: International Institute of Strategic Studies, 1982, p. 19.)

<sup>64</sup>See Ceausescu's remarks to the October 1980 Central Committee Plenum, *Scinteia*, October 17, 1980; also the article by Grigore Botoi in *Revista Economica*, Nos. 11 and 12, March 13 and 20, 1981; Background Report/7, *Radio Free Europe Research*, April 14, 1981.

<sup>65</sup>In 1980, trade with Comecon counted for 33.8 percent of Romania's total trade; in 1983, the comparable figure was 53 percent. This is still significantly less than the record share of 73 percent held by Comecon in 1960. See Situation Report/13 (Romania), *Radio Free Europe Research*, September 20, 1984.

second on joint production of helicopters—but these apparently will not be implemented before 1986. Starting in 1979, Romania began for the first time to import crude oil from the Soviet Union.<sup>66</sup> These imports are apparently not included in existing trade protocols and have to be paid for in convertible currency.<sup>67</sup> In addition, during Foreign Minister Gromyko's visit to Bucharest in January 1984, Moscow apparently agreed to provide Romania with 1.5 million tons of crude oil.<sup>68</sup>

There is little danger, however, that Romania will become dependent on Soviet oil. Imports from the Soviet Union presently make up less than 10 percent of Bucharest's crude oil imports. At the same time, the drop in the world oil price is likely to decrease Romania's interest in buying much Soviet oil. Recent loans from the World Bank should also help Romania expand its production capacity and reduce its need to import oil.<sup>69</sup>

Differences with Moscow also continue to manifest themselves on the political/ideological level. These have been reflected in particular in the differing interpretations of the role of the nation-state.<sup>70</sup> Romania has continued to insist that the nation-state is the prime actor in international affairs, and that every nation has the right to determine its own policies without outside interference. Moscow, on the other hand, has called for greater unity and the subordination of national interests to those of the communist community.<sup>71</sup> While these disputes are hardly new, they increased in intensity under Andropov. Moreover, during 1983, they spilled over into the cultural arena.<sup>72</sup>

<sup>66</sup>Ibid.

<sup>67</sup>See the article by F. Magereanu in *Revista Economica*, No. 6, February 10, 1984. Quoted in Situation Report/4 (Romania), *Radio Free Europe Research*, March 2, 1984.

<sup>68</sup>Radio Budapest, January 31, 1984. See also *Neue Zuercher Zeitung*, February 3, 1984. The terms for these deliveries are apparently similar to those for previous deliveries, i.e., Bucharest must pay for them in convertible currency. (Situation Report/4 (Romania), *Radio Free Europe Research*, op. cit.)

<sup>69</sup>In May 1982, the World Bank approved a loan of \$1.5 million to Romania for the improvement of oil extraction techniques at two oil fields, Videle and Balaria, near Bucharest. The increased production is expected to save Romania some \$200 million annually in foreign-exchange import costs.

<sup>70</sup>For details, see Anneli Maier, "The Romanian-Soviet Ideological Dispute," RAD Background Report/27 9 (Romania), *Radio Free Europe Research*, February 8, 1983.

<sup>71</sup>See in particular the article by E. Bagramov in *Novoe Vremya*, No. 15, April 15, 1983. Bagramov attacked an article by Vasile Iota in *Contemporanul* (No. 10, March 5, 1982) that had appeared a year earlier. This prompted a sharp reply by Iota and other Romanian authors.

<sup>72</sup>See the attack on Dimitru Popescu's novel *Pumnul si Palma* (The Fist and the Palm) by Pimen Buyanov in *Literaturnaya Gazeta*, May 4, 1983. What makes the attack particularly noteworthy is the fact that Popescu is no mere journalist but a member of the RCP Political Executive Committee. Previously, Popescu served as RCP Secretary

Bucharest has also maintained an independent line on a number of security issues, the most important being its maverick stance on intermediate-range nuclear missiles (INF). In general, Romania's position has been more nuanced than that of the other members of the Warsaw Pact. For instance, Bucharest has usually avoided assigning blame for the tension over INF—in marked contrast to other East European countries who have openly blamed the West. Moreover, in August 1983, Ceausescu sent a letter to President Reagan and Soviet President Andropov, calling for a freeze on new missile deployments in Europe to be followed by a reduction of existing intermediate-range missiles, with the aim of eventually eliminating all nuclear weapons from Europe. This would have meant a moratorium on deployment and the removal of not only U.S. missiles, but also Soviet ones, including the SS-20. Ceausescu also explicitly opposed Soviet countermeasures, and in July 1984, he called for a "freeze" on INF deployments on both sides as the basis for the resumption of negotiations<sup>73</sup>—a position that differs from Moscow's continued insistence (October 1984) that all U.S. deployments must be removed before negotiations can begin. Romania has also called for a broadening of the scope of the INF talks to include all members of NATO and the Warsaw Pact—a proposal opposed by both Moscow and Washington.

Ceausescu's differentiated position on INF appears to have both external and internal motivations. Externally, Ceausescu has tried to use the INF issue to underscore Romania's independent stance vis-à-vis Moscow, as well as to enhance his own role as an international statesman at a time when his image both at home and abroad has been seriously tarnished. His efforts to recapture the international limelight on INF also seem designed to deflect attention away from pressing economic problems at home. Finally, Ceausescu fears—not unjustifiably—that NATO deployment will spark a new round in the arms race and will intensify the economic, political, and military pressures on Romania at a time when Bucharest can ill afford them.

Romania has also strongly supported the convocation of the Conference on Confidence Building Measures and Disarmament in Europe. From Bucharest's point of view, the Stockholm conference has two important advantages: First, it offers the possibility of obtaining

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in charge of ideology and propaganda (1968–81) and Editor-in-Chief of *Scinteia*, the party paper (1962–69). For a good discussion of the "Popescu Affair," see *Frankfurter Allgemeine Zeitung*, May 9, 1983, and *Neue Zürcher Zeitung*, May 17, 1983.

<sup>73</sup>*Scinteia*, July 17, 1984. Ceausescu sought to give the impression, based on his talks with Chernenko, that the USSR had modified (or would soon modify) its demand that the United States remove its Pershing II and cruise missiles as a precondition for the resumption of negotiations.

eventual agreement on a set of binding military measures that would make any military action against Romania by Moscow more difficult; second, it provides an important forum in which small and medium-sized powers such as Romania can have a direct voice in issues related to military security in Europe (in contrast to the Mutual Balanced Force Reduction (MBFR) discussions in Vienna, which are conducted on a bloc-to-bloc basis). On a number of issues at the Stockholm Conference, in fact, Romania's position has been closer to that of the neutral and nonaligned countries than to that of the Soviet Union and its allies. This is likely to continue to be the case in the future.

### PROSPECTS FOR THE FUTURE

There are distinct limits, however, to how far Romania can push its independence from Moscow. In the future, in fact, these limits are likely to become more visible. Romania's economic problems will probably make closer cooperation with Moscow more necessary, especially within Comecon. These difficulties could also force Romania to moderate some of its political differences with Moscow—or at least to pick its battles more carefully.

As long as Ceausescu remains in power, however, a basic shift in Romania's foreign policy is unlikely. Ceausescu is personally associated with Romania's effort to achieve greater foreign policy autonomy. A return to the Soviet fold would require a repudiation of these past policies. Moreover, there is an important domestic dimension. Ceausescu's nationalism—and to an extent "anti-Sovietism"—is a prime source of his legitimacy. Abandonment of his maverick stance would undermine the very basis of his authority and could have important domestic repercussions. Thus, while he may be forced to show greater tactical flexibility, he is unlikely to alter radically Romania's basic foreign policy position.

## IV. HUNGARY

Hungary is the most politically liberal and economically prosperous country in Eastern Europe today. Much of the credit for Hungary's success belongs to Janos Kadar, the head of the Hungarian Socialist Workers' Party (HSWP). Installed by Soviet force in 1956, Kadar was initially considered a traitor by most Hungarians. Gradually, however, he has turned Hungary into the showcase of Eastern Europe and has achieved a degree of legitimacy—indeed popularity—unparalleled elsewhere in the Eastern bloc.

In recent years, however, Hungary has been beset with many of the same problems plaguing other countries in Eastern Europe: stagnating living standards, rising inflation, and a burgeoning foreign debt. The deterioration of the Hungarian economy is particularly significant because the Kadar regime has staked much of its legitimacy and popular support over the last 15 years on its ability to improve the standard of living.

This economic deterioration has been accompanied by increasing political problems. There has been an appreciable rise in discontent among Hungarian youth, as a new generation, many of whom never experienced the revolution and the terror of the Rakosi era, have come to maturity. At the same time, Hungary has witnessed the emergence of a small but vocal dissident movement, which represents a potential challenge to the regime that could become more significant if the economy continues to decline. These problems have been compounded by the reemergence of the "nationality question"—that is, the question of the Hungarian minority abroad—which has caused strains in relations with some of Hungary's East European neighbors, particularly Romania and Czechoslovakia.

Internationally as well, Hungary has faced increasing difficulties. The deterioration of relations between the superpowers has complicated, though not halted, Hungary's efforts to pursue an active *Westpolitik*. At the same time, the crisis in Poland and the worldwide economic recession have exacerbated Hungary's foreign-trade problems and affected Budapest's ability to obtain Western credits.

Moreover, Hungary is facing these growing difficulties at a time of impending political change that could have important consequences for its political future. Kadar, who will be 74 in May 1985, has been in office longer than any other East European leader except Todor Zhivkov in Bulgaria and Enver Hoxha in Albania. While he may

remain politically active for a number of years, there is a growing recognition that Hungary is approaching the end of an important political era. The key question therefore is whether "Kadarism" can survive Kadar—that is, whether Hungary will be forced by economic and political necessity to abandon, or at least modify, the unique pattern of reform that has been so closely associated with Kadar's name and rule.

### THE ORIGINS AND EVOLUTION OF KADARISM

Any attempt to answer this question must begin with an examination of Kadarism itself. The essence of Kadar's policy has been his effort to forge a broad alliance between the party and the people. This effort has had three distinguishing features:

1. *Depoliticization of Hungarian life.* Citizens are encouraged to turn inward and renounce active participation in political life, which remains the sole preserve of the party.
2. *Privatization.* The party has increased the scope for private initiative, especially in the economic field, and has reduced its own intrusion into the life of the individual.
3. *Economic prosperity.* In an effort to obtain greater legitimacy and popular support, the party has promised a gradual increase in the standard of living.

This policy has its origins in the 1956 uprising. The failure of the revolt in 1956 set the psychological foundations and political parameters for Hungary's later development. It had two important effects. First, it led to a sense of resignation and realism about Hungary's future political orientation. In particular, it shattered the illusion that the country could somehow escape its geographical location and political integration within the Soviet bloc. This recognition was an important precondition for the success of Kadarism. Second, the revolution made clear that the political and social transformation of the country could not be achieved without at least the tacit support of the population. In short, as George Schöpflin has pointed out, the revolution set the limits for both sides. Both the party and the population were forced to recognize that they had to compromise.<sup>1</sup>

The suppression of the uprising in 1956 left a residue of hostility, mistrust, and suspicion in the population. In the aftermath of the revolution, Kadar faced the dual task of rebuilding the party, which

<sup>1</sup>George Schöpflin, "Hungary Between Prosperity and Crisis," *Conflict Studies*, No. 136, 1981.



had virtually disintegrated, and reestablishing links to the population. Simply purging the followers of Rakosi was not sufficient. The party had to rebuild lines of communication to the people and to regain their trust. This could only be done by reaching out to nonparty people and involving them in the process of reconstruction and reconciliation.

Thus, after breaking the back of the revolution in the late 1950s, Kadar began gradually to introduce changes designed to reestablish the party's credibility. Repression was replaced by an emphasis on persuasion and debate. The government was opened up to nonparty people. Expertise was given priority over ideological criteria in the selection of economic managers; a *modus vivendi* was worked out with the Church. Travel restrictions to the West were relaxed. Jamming of Western radio broadcasts was eliminated. Class requirements for entry into the university were relaxed.

Most important, Hungary firmly embarked upon a course of economic reform. Introduced in 1968 after several years of discussion, the New Economic Mechanism (NEM) virtually dismantled the Stalinist system of command planning, replacing it with a system of indirect controls. Among the principal features of the reform were a reduction in central control, increased autonomy for enterprises, a larger role for the market, greater reliance on profit as an index of enterprise performance, greater flexibility in the pricing system,<sup>2</sup> and opportunities for citizens to engage in the "secondary economy" to augment their income. At the same time, the decisionmaking process was opened up to give economic experts and other specialists a greater role and sense of participation.

The introduction of the NEM was accompanied by a limited political reform which included an increase in the role of Parliament, greater freedom of cultural expression, a limited expansion of the role of trade unions, and greater tolerance for the expansion of interest groups.

In the early 1970s, however, the critics of the reform began mounting attacks on its nonegalitarian features, particularly the great discrepancy between the wages paid to industrial workers and those paid to managers, who were given preferential bonuses by the state as an incentive to make their enterprises run more efficiently. At the November 1972 Plenum, the brakes were put on the reform and a gradual return to centralization occurred. Social welfare and workers' interests were given priority over efficiency. The retrenchment was

<sup>2</sup>For a detailed discussion of the reform and its origins, see William F. Robinson, *The Pattern of Reform in Hungary*, New York: Praeger, 1973; also Paul Hare, Hugo Radice, and Nigel Swain (eds.), *Hungary: A Decade of Economic Reform*, London: George Allen and Unwin, Ltd., 1981. For a more recent discussion, see Rudolf Tóké, "Hungarian Reform Imperatives," *Problems of Communism*, September-October 1984, pp. 1-23.

signaled in particular by the dismissal from the Central Committee of Rezső Nyers, one of the chief architects of the reform and a strong advocate of economic efficiency. In principle, lip service continued to be paid to reform. In practice, the enterprise autonomy was curtailed and the powers of the branch ministries over the enterprise managers were strengthened.

This retrenchment lasted until late 1978, when it became clear that the retreat from reform had not resolved Hungary's problems, but rather had made them worse. The Hungarian leadership then turned to a more vigorous pursuit of the original principles of the reform. Economic efficiency was again given priority over social welfare, and indirect economic controls replaced state intervention as a primary method of guiding economic affairs. Simultaneously, some domestic prices were geared to correspond with world market prices, wages were differentiated on the basis of work performance, subsidies were drastically reduced, and incentives were given to increase labor productivity.

A number of new laws and regulations have been introduced to give the reform new impetus. Among the most important have been those (1) dismantling a number of large trusts and combining several sectoral ministries; (2) promoting the development of small enterprises; (3) allowing private individuals to operate small state-owned retailing and catering outlets on a leasing or contractual basis; (4) relaxing constraints on small private service enterprises; and (5) promoting private plots in agriculture. The latter regulations do not mean that Hungary is on the road to "reestablishing capitalism"; in fact, the private sector makes up only a small portion of the Hungarian economy.<sup>3</sup> Rather, they are designed to force the socialized sector to be more efficient by increasing the degree of competition.

The second round of the reform, however, has had to be undertaken under much more difficult circumstances. The initial reform was introduced at a time of international détente and a world economic boom; the latest efforts have had to be implemented at a time of East-West tension and a world market beset by high interest rates, stagflation, and a reduced demand for Hungarian exports. This has required the Kadar government to introduce a policy of austerity measures designed to restore Hungary's competitiveness without significantly reducing living standards. Since July 1982, several price increases have been carried out; others are likely to follow, as Hungary attempts to improve its

<sup>3</sup>In 1981, only 3.6 percent of the total Hungarian work force was employed in privately owned enterprises. This is about one-half the proportion in the GDR and Poland. (Cam Hudson, "Economic Performance under Kadar: Miracle or Myth," RAD Background Report/124 (Hungary), *Radio Free Europe Research*, May 25, 1982.) However, nearly half the population engages in the secondary economy.

economic competitiveness and comply with conditions established by the IMF (which it joined in 1982). While the government has handled the introduction of these price increases more skillfully than other East European regimes, they have contributed to an erosion of the standard of living that could have political repercussions over the long run.

The reforms introduced to date, moreover, have been limited in scope and only partially successful. The performance of Hungary's economy is largely determined by the performance of the state sector (i.e., the first economy), where, with the partial exception of agriculture, many of the problems of the traditional command economy remain unresolved. Here, the interrelated basic shortcomings related to the price mechanism, investment decisionmaking, and enterprise autonomy remain unresolved.<sup>4</sup>

This has led to a wide-ranging debate in Hungary on the necessity and feasibility of greater reform. The debate is not really between reformers and opponents of reform. Most specialists, as well as government and top party officials, recognize the need for reform. Rather the debate is between "radical reformers" and "realists." The radical reformers argue that the role of the market has to be given greater freedom and that prices have to be adjusted to real market values even faster than is presently the case. They also believe that economic reform must be accompanied by institutional and social changes. Among their most prominent members are economists such as Tamas Bauer and Martin Tardos—and on some issues, Nyers.

On the other side are the realists. They advocate a gradual, step-by-step approach to reform, for fear of provoking resistance, both internally and externally. They reject "pseudo-radical ideas," which they argue, "can only result in mistrust on the part of the public toward all kinds of reform measures."<sup>5</sup> Among their most prominent members are top party and government officials such as Janos Berecz, editor of the party daily *Nepszabadsag*; Deputy Prime Minister Jozsef Marjai; Finance Minister Istvan Hetenyi; and Bela Csikos-Nagy, former Chairman of the National Material and Price Office.

Kadar has generally followed the realists' approach. He has opted for a policy designed to refine and improve the present economic mechanism rather than radically restructure it. At the April 1983 Central Committee Plenum, which served as a sort of midterm review on

<sup>4</sup>See Paul Marer, "Hungary's New Economic System: Prospects, Evolution, Assessment," Paper presented at the Conference on Hungary in the 1980s, sponsored by Columbia and Indiana Universities, New York City, October 28-29, 1983, pp. 25-26.

<sup>5</sup>Janos Berecz, "Let There Be a Creative Debate Instead of Accusations," *Nepszabadsag*, April 7, 1984. English text in *FBIS, Eastern Europe/Hungary*, April 16, 1984, pp. F12-F17.

the party's performance since its 12th Party Congress in March 1980, the party passed a resolution calling for "the development and perfection" of the Hungarian economic mechanism rather than any "reform of the reform."<sup>6</sup> In essence, the resolution endorsed the basic gradualistic approach toward reform which has characterized the government's policy since 1979.

Kadar's reluctance to proceed more quickly with more radical reform appears to have two motivations. The first is internal. While there are few outright opponents of reform, a number of groups have resisted certain aspects of it. These include (1) conservative members of the party leadership who are concerned about ideological contradictions inherent in the reform; (2) economic managers and mid-level party bureaucrats who fear the implication of decentralization for their own positions; and (3) workers and representatives of the trade unions who are concerned about the anti-egalitarian nature of the reforms and their impact on job security.<sup>7</sup> At the moment, the political influence of these groups is relatively small, but they are likely to remain a potential political force for at least another decade.

The second constraint on the scope and pace of reform has been external: Kadar's concern about the impact of any radical reform on the Soviet Union and some of its communist neighbors. The reform is regarded with suspicion—even hostility—by other countries in the bloc, particularly Czechoslovakia. Moscow's attitude toward the reform has been ambivalent. While the Soviets have tolerated it so far, they remain concerned about its political implications, fearing that it might get out of hand and spill over into the political arena, as happened in Czechoslovakia in 1968.<sup>8</sup> Thus, Kadar has tended to move cautiously and carefully.

The Hungarian leadership, however, appears determined to gradually extend the reform. At the April 1984 Plenum, the party agreed to adopt two important measures in this regard. The first was to allow

<sup>6</sup>Radio Budapest, April 15, 1983. The full text of the Central Committee Resolution appeared in *Nepszabadsag*, April 6, 1983.

<sup>7</sup>Resistance to the reforms from the trade unions may well have been the prime reason for the sudden replacement of Sandor Gaspar as General Secretary of the Trade Unions in December 1983. Gaspar was an old member of the Kadar team. He was a strong defender of workers' rights and is reputed to have opposed certain aspects of the reforms, especially the creation of private workers' collectives within firms and other elements that endangered full employment. It is thus unlikely that his resignation was voluntary.

<sup>8</sup>For instance, in an interview with Karoly Megyeri, Vice President of Hungarian Television, at the end of April 1983, Kadar noted that the reform had "created a certain anxiety among the socialist countries, among our friends." Radio Budapest, April 29, 1983. For details, see Hungarian Situation Report/7, *Radio Free Europe Research*, May 13, 1983.

factory councils at large and medium-sized firms to choose their general managers (who until now had been Ministerial appointees), as well as to decide on investments and determine production strategy. At small companies, general managers are to be elected directly by employees. The second measure was to link wages directly to productivity. In the future, those who produce more will get paid more.<sup>9</sup>

These moves represent the most significant shift away from a centrally planned economy and toward free-market practices since the launching of the NEM in 1968. The decision to allow factory managers in small firms to be elected by employees is a step toward Yugoslav-style management—something that has long been anathema to Moscow. Significantly, the Central Committee resolution nowhere mentioned the word “reform,” referring only to a “further development of the economic management system”—language that seemed carefully designed to allay concerns in Moscow and elsewhere that the measures represented any radical new departures.

In addition, over the next few years, the government intends to introduce a new income tax system; to reduce subsidies for certain items such as food, household energy, and transportation; and to decrease controls on foreign trade. A more flexible banking system is also under discussion. A growing number of funds or “quasi-banks” set up to finance trade, investment, or small-scale ventures are expected to become more independent. Hungary’s nascent bond market is also to be strengthened, with the possible introduction of a secondary bond market.

## SOCIAL AND POLITICAL DILEMMAS

While the party’s decision to extend gradually the reform will alleviate some economic problems, it is also likely to accentuate certain social problems. Allowing unprofitable firms to fail, for instance, is bound to create a certain degree of social and economic dislocation, especially for the workers who are laid off. Some of these can be transferred to the service sectors, while others can be retrained. But this takes time and is expensive. Moreover, such closures are likely to meet resistance from the trade unions concerned with job security as well as many conservative economic managers who will also lose their jobs.

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<sup>9</sup>*Financial Times*, May 9, 1984. For the text of the CC resolution, see *Nepszabadsag*, April 19, 1984.

Another problem is growing social stratification and inequality. While certain groups, especially managers and independent entrepreneurs, have benefited from the reform and thus have a strong vested interest in its continuation, others such as the elderly, the infirm, the gypsies, and unskilled workers have not. The reform, in fact, has made their situation worse and has led to a growing reservoir of "hidden poor" (currently estimated to be between 15 and 20 percent of the population). As the reform is extended, this problem could pose increasing difficulties for the Kadar government because it touches on the sensitive issues of social justice and social equality.

Finally, there is the question of the relationship between economic reform and political reform. How far can economic reform go without generating pressure for political reform? Many radical reformers have argued that economic reform requires greater institutional change in the social and political field.

To date, the party has proceeded cautiously. However, in the past few years a number of small but important steps toward greater political liberalization have been introduced. In 1981, travel restrictions were eased to allow Hungarians to travel to the West each year (if they had an invitation), and in 1983, the laws allowing citizens to work abroad were liberalized. Of even greater significance were changes in the electoral laws proposed in the summer of 1983 which allow some choice for elections to the Parliament and local councils. There have also been calls for increasing the political role of the Parliament and greater toleration of diverse political views.<sup>10</sup>

None of this is to suggest that Hungary is moving toward a multiparty system or Western-style democracy. Hungary remains very much a one-party state, and the party's control over politics remains strong. Nonetheless, there is growing scope for a greater diversity of views within the party and the society at large. The key question over the long run is the extent to which it is possible to have economic reform without more far-reaching political reform. At some point, the opening up of the Hungarian economy to market forces and the world economy seems likely to generate greater pressure for political change.

This obviously is Moscow's fear. From the Kremlin's point of view, the real danger is that economic reforms could generate uncontrollable pressures for political change, as was the case in Czechoslovakia in 1968. As long as Kadar is in power, this does not seem likely to occur. But the outlook after his death is much less certain.

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<sup>10</sup>See the interview with Nyers in *Sueddeutsche Zeitung*, February 10, 1983.

## HUNGARIAN AGRICULTURE: A MODEL FOR EASTERN EUROPE?

The results of the reforms in Hungary have been most visible in the agricultural sector, where the introduction of incentives and technological and biological processes imported from the West have significantly increased production in a number of areas, particularly corn and grain. Hungarian per capita grain production is today among the highest in Europe (East or West). The agricultural sector also plays an important role in foreign trade. The Hungarian food industry accounts for 25 percent of the country's total exports, including 37 percent of its dollar exports.

The success of the Hungarian economic reform, particularly in agriculture, has attracted considerable attention and comment throughout the Eastern bloc. At the 26th Party Congress, Brezhnev specifically singled out Hungarian agriculture for praise, stating that the Hungarian experience ought to be studied by other communist countries.<sup>11</sup> In recent years, a growing number of articles in the Soviet press have also been devoted to the Hungarian reform.<sup>12</sup> Soviet economists have been attracted in particular to such elements of the Hungarian reforms as the autonomy of farms, the decentralization of planning systems, and the development of the private farming sector.<sup>13</sup>

Some aspects of the reform, in fact, have already been introduced in Moldavia and Georgia. The Soviet Union is also receiving important technical assistance in maize-growing and poultry farming from the Hungarian state farm, Babolna, the world's third largest exporter of poultry production systems. During Kadar's visit to the Soviet Union in July 1983, Moscow and Budapest signed an agreement to introduce Hungary's Nadudvar and Babolna maize-growing systems in the Ukraine.<sup>14</sup> If the experiment proves successful, the Hungarian systems will be introduced on a large scale in the USSR.<sup>15</sup> The Babolna

<sup>11</sup>*Pravda*, February 24, 1981.

<sup>12</sup>See also RL 89/93, "Hungarian Agriculture: A Model for the Soviet Union," February 22, 1983; RL 116/83, "Administration of Agriculture in Hungary," March 4, 1983; RL 241/82, "East European Prescriptions for the Ills of Soviet Agriculture," June 14, 1983; and "Soviet Signals on Economic Management Picked Up in Hungary," RAD Background Report/68 (Hungary), *Radio Free Europe Research*, March 31, 1983.

<sup>13</sup>See the article by Oleg Bogomolev, Director of the Socialist World System Economic Institute of the Soviet Academy of Sciences, *Pravda*, March 14, 1983.

<sup>14</sup>The Nadudvar method is an imitation of a system started in the 1970s on the Babolna farm, which uses expertise and equipment from the West, primarily the United States, to expand the production of maize and poultry. Since 1978, four Babolna systems have been tried in various parts of the Soviet Union, with good results.

<sup>15</sup>Alfred Reisch, "Kadar Policies Get Seal of Approval from New Soviet Leadership," RAD Background Report (Hungary), *Radio Free Europe Research*, August 11, 1983.

Agriculture Combine also plans to set up a new poultry farm in Azerbaijan.

However, despite the attention currently given to Hungarian reform in the Soviet press, it is unlikely that the Soviet leadership is ready to introduce the Hungarian reform into the USSR on a wide scale, even in the agricultural sector.<sup>16</sup> The political risks at this point simply seem too great. Moreover, the Soviet economy is much larger and much more complex than the Hungarian economy.

As for the rest of Eastern Europe, Poland has shown considerable interest in the reform, but Poland's chaotic economic situation, entrenched bureaucracy, and lack of political consensus make it unlikely that efforts to emulate the reform will be successful. Romania retains a highly centralized economy, and as long as Ceausescu remains in power, it is likely to show little inclination toward systemic reform. Czechoslovakia has been highly critical of the reform, fearing its political ramifications. Bulgaria has introduced some elements of decentralization recently, but it is unlikely to go as far as Hungary has. In East Germany, the party has traditionally been wary of any far-reaching decentralization of decisionmaking.

In short, the Hungarian reform is a product of specific Hungarian circumstances—above all, an innovative and self-confident political leadership and a high degree of consensus between rulers and ruled. These conditions are lacking elsewhere in Eastern Europe. At best, the Hungarian model can serve as an example that communist economic systems can be more efficient and flexible, but it is unlikely to be successfully transplanted to other East European countries that have undergone a very different path of historical and political development.<sup>17</sup>

## ECONOMIC DILEMMAS

Despite its willingness to introduce comprehensive reforms, Hungary has been unable to avoid many of the problems currently plaguing other East European countries, including rising inflation, mounting indebtedness, and declining growth rates. The average rate of growth of domestic net material product (DNMP) in 1976–80 was only one-half of that in 1971–75, and in 1980 Hungary actually recorded a 0.8

<sup>16</sup>To the extent that the Soviet Union does move toward greater reform, it is more likely to be along the lines of the Bulgarian or East German models, which combine strong elements of centralization with some limited decentralization in certain sectors.

<sup>17</sup>For a detailed discussion, see George Schöpflin, "Die Reformfähigkeit von Sowjet-systemen: Ist Ungarn ein Model," *Europa Archiv*, No. 4, February 25, 1984, pp. 111–118.



percent *decline* in DNMP. It also had the second lowest growth rate in Eastern Europe, behind Poland, during 1976-80.<sup>18</sup>

A major cause of Hungary's recent economic woes was the explosion of oil prices after 1973. The dramatic rise in oil prices hit Hungary particularly hard because of Budapest's heavy dependence on foreign trade.<sup>19</sup> Hungary has to import 45 percent of its energy and nearly 80 percent of its oil. Its investment programs had been based on the continued availability of cheap Soviet oil.

As a result of the price changes in the world market, Hungary's terms of trade deteriorated by 20 percent between 1973 and 1980. This caused a loss of 10 percent of the national income.<sup>20</sup> Hungary's primary response to the deterioration of its terms of trade was to increase foreign borrowings. This resulted in a significant increase in its hard-currency debt, which had reached \$8 billion by 1982.

The need to reduce its foreign trade deficit directly contributed to the decision in 1978-79 to reorient Hungary's economic system back toward reform. Since then, Hungary has pursued a two-pronged policy designed to (1) reduce its Western trade deficit at the expense of economic growth and (2) maintain the standard of living already attained. These two objectives have been incorporated into the sixth five-year plan (1981-85) and are likely to remain the dominant features of Hungarian economic policy for the foreseeable future.

The reform and austerity measures introduced since 1979 have had a positive impact on Hungary's foreign trade balance. In 1982 and 1983, Hungary achieved a small surplus in its nonruble account, and it seems likely to do the same in 1984. Exports in convertible currency in 1983 rose by 4 percent, and imports declined by 2 percent.<sup>21</sup>

However, while Hungary's foreign-trade balance with the West has dramatically improved, the imbalance has remained rather high in the ruble area, largely because of the rapid rise in the price of Soviet oil after 1975. The oil shock of 1973 and the subsequent increase in Soviet oil prices led to a serious erosion of Hungary's terms of trade with Moscow. The second increase in oil prices in 1979-80 further exacerbated Hungary's problems, requiring Budapest to increase its

<sup>18</sup>Cam Hudson, "Economic Performance Under Kadar: Miracle or Myth," *op. cit.*

<sup>19</sup>Fifty percent of Hungary's national income is derived from foreign trade today, as compared with 12 percent in 1949 and 31 percent in 1965. Bela Kadar, "Preparing to Meet the Challenge: The Hungarian Economy in the 1980s," *The New Hungarian Quarterly*, Winter 1982, p. 91.

<sup>20</sup>Bela Csikos-Nagy, "Development Problems of the Hungarian Economy," *The New Hungarian Quarterly*, Winter 1982, p. 75.

<sup>21</sup>RAD Background Report/189 (Economics), *Radio Free Europe Research*, October 12, 1984.

exports even further to pay for its oil—not only OPEC oil, but, to a limited degree, Soviet crude oil as well.

Hungary's economic problems were complicated by several other factors. On the one hand, the recession in the West reduced the demand for Hungarian goods on the Western market and the amount of hard currency available for purchase of Western technology. On the other hand, the Polish crisis and Romania's economic problems made Western bankers reluctant to lend to Eastern Europe in general. Even though it had managed its economy better than most other East European countries, Hungary nonetheless found it much more difficult to obtain Western credits.

These difficulties were exacerbated in the spring of 1982 by the sudden withdrawal of large amounts of short-term hard-currency deposits from the Hungarian National Bank by the Soviet Union and some Arab countries, which caused Hungary's currency reserves to drop to a dangerously low level and confronted the country with a serious liquidity crisis. During 1982–83, Budapest was able to negotiate a series of loans from the Bank of International Settlements (BISW) in Basel, a consortium of Western banks headed by Manufacturers Hanover Trust, and the IMF. These loans helped Hungary to avoid rescheduling, but they were only stopgap measures. They do not solve Hungary's basic long-term economic problems. For the next several years, if not longer, Hungary will have to continue to pursue a policy of restricting imports and reducing domestic absorption.

Yet Budapest is in a better position than other East European countries to weather the political and economic storms, for a number of reasons. First, the Hungarian leadership has devoted considerable effort to educating the public and preparing them psychologically for the hard times ahead. Second, the party—and Kadar personally—enjoys greater support than does the leadership elsewhere in Eastern Europe. Third, the Kadar government has managed its economy better than other East European regimes and so is in a better position to obtain Western credits.

All of these factors should help Hungary as it confronts its economic problems. Nonetheless, given the difficulties within CMEA and the protectionist tendencies in the West, Budapest will continue to face serious economic difficulties in the years ahead.<sup>22</sup> Living standards have stagnated for several years in a row, and there is little prospect of improvement in the near future. This is particularly important, because an increase in the standard of living has been one of the basic tenets of Kadarism. An inability by the government to fulfill its part

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<sup>22</sup>See Tyson, *op. cit.*, pp. 69–70.

of the "bargain" over an extended period of time could lead to increased social discontent, particularly among the workers. This is all the more true in view of the fact that some aspects of the reforms introduced since 1979 tend to exacerbate income differentials and reduce job security.

### THE POLITICAL DIMENSION

Hungary's current economic difficulties are compounded by political uncertainties. At present, Kadar's leadership within the party is unchallenged. He is the only party leader to have served in all successive Politburos since 1956 (the only other member whose longevity comes close is Sandor Gaspar, former General Secretary of the Trade Unions, who was elected in 1959). Kadar's longevity in office has enabled him to build up a large network of supporters in the upper echelons of the party and throughout the key segments of the bureaucracy.

Moreover, over the past five years, he has been able to strengthen his position. At the 12th Party Congress in March 1980, Bela Biszku, Jeno Fock, Antal Apro, and Dezsó Nemes were dropped from the Politburo. Apro had been a member of the Politburo nearly continuously since the end of World War II, while Nemes owed his position primarily to his strong ties to Moscow. These men have been replaced by younger leaders who share Kadar's centrist views and who can be expected to carry out the broad outlines of his policy after he retires or dies.

Two of the most important of these younger leaders are Karoly Nemeth and Gyorgy Aczel. Nemeth, a Central Committee Secretary as well as a member of the Politburo, functions as Kadar's *de facto* deputy. Aczel, also a member of the Politburo, is one of Kadar's most trusted associates and is currently Central Committee Secretary in charge of cultural and ideological matters. Other influential members of the Kadar team are Prime Minister Gyorgy Lazar and Ferenc Havasi, Central Committee Secretary for Economic Policy. Kadar's support within the upper levels of the party has been reinforced by the careful cultivation of a network of supporters at the regional local level who owe their positions to the First Secretary.

Several recent shifts in other areas have also served to strengthen Kadar's position. Gyorgy Aczel's appointment as Central Committee Secretary in charge of ideology and culture in June 1982 assured the continuation of the relatively liberal policy with which he has been associated. At the same time, Peter Varkonyi, the editor-in-chief of

the party daily, *Nepszabadsag*, was appointed Foreign Affairs Secretary in the Central Committee. In July 1983, Varkonyi replaced Frigyes Puja as Foreign Minister. A former diplomat and a member of the Central Committee, Varkonyi has continued Kadar's basic policy of cultivating good relations with the West.

Another significant change was the appointment of Janos Berecz to the post of editor-in-chief of *Nepszabadsag*. A member of the Central Committee, Berecz is a moderate and one of the party's most experienced foreign affairs specialists, having previously served as Head of the Central Committee Foreign Affairs Department. His transfer out of the Central Committee apparatus should not be seen as a demotion, but as part of Kadar's policy of periodically moving key personnel into important nonparty positions. As editor of *Nepszabadsag* he continues to wield considerable influence and is likely to play an important role in the post-Kadar era. (Indeed, Varkonyi's rapid rise suggests that the editorship of *Nepszabadsag* may be an important stepping stone to higher office.)

Other important figures likely to play key roles in the next few years are Matyas Szuros, the Central Committee Secretary for foreign relations, Gyula Horn, head of the Central Committee's Foreign Affairs Department, and Imre Pozsgay, head of the People's Patriotic Front. Berecz, Szuros, and Varkonyi typify the new generation of Hungarian leaders who are increasingly moving into positions of prominence. Well educated and widely traveled, they tend to be both more sophisticated and more pragmatic than the older generation. While they value Hungary's ties to the Soviet Union, they also tend to put greater emphasis on Hungarian national interests.<sup>23</sup>

Kadar, however, has not designated an heir apparent, and should he step down or die in the near future, it is unclear who would take his place. One of the prime candidates for the post is Karoly Nemeth, Kadar's current deputy. A technocrat, Nemeth has considerable economic experience, having previously served as a Central Committee Secretary in charge of economic policy. Other possible candidates are Ferenc Havasi, Mihaly Korom, and Laszlo Marthory, all members of the Politburo. None of these men, however, enjoys Kadar's prestige or authority. Equally important, they will not initially have the trust and confidence of the Soviet leadership, which has been one of the keys to Kadar's success. Thus Kadar's departure is likely to create uneasiness in both Budapest and Moscow.

<sup>23</sup>Szuros, for instance, argued in 1983 that joint "socialist" interests demand not only stronger cooperation but also mutual consideration of national characteristics. If these are ignored, he has contended, the "common cause" can be hurt. (*Nepszabadsag*, February 23, 1983.)

## OPPOSITION AND DISSENT

In general, Hungary has not faced a serious problem of dissent. From time to time, a few isolated voices such as Andras Hegedus, the former Prime Minister in 1956, and writers Agnes Heller and Ferenc Feher have spoken out against government policies, but these have never posed a serious challenge to the regime. Moreover, in keeping with Hungary's relatively tolerant image, the dissidents have generally been dealt with leniently—usually by encouraging them to emigrate (as in the case of Heller and Feher) or take a sabbatical abroad for several years (as in the case of dissident writer Gyorgy Konrad).

There are several reasons for the lack of widespread dissent in Hungary. First, Kadar has skillfully managed to coopt and neutralize many of the intelligentsia and technical elite by offering them status, material privileges, and limited access to decisionmaking. This has given them a sense of "participation" and made them less eager to openly challenge the status quo. Second, the government has taken a relatively tolerant attitude toward criticism and dissent. Within certain prescribed parameters, genuine debate is tolerated as long as it does not question the fundamentals of the system, particularly the party's leading role. This relative tolerance has acted as a safety valve and has reduced the incentive for the intelligentsia to directly challenge the regime. Third, Hungary's relative economic prosperity also made the restrictions that do exist more tolerable for many. Last, there is the trauma of 1956. Many older Hungarians vividly remember the repression of the Rakosi era and are grateful for the gradual improvements that have occurred under Kadar. They consider some form of self-censorship a small price to pay to preserve these gains.

Nonetheless, in recent years there has been a perceptible increase in dissent. This has been reflected in particular in the growth of *samizdat* literature, much of which was openly on sale at a "*samizdat boutique*" run by Laszlo Rajk (son of the former Interior and Foreign Minister executed by Rakosi in 1951) until it was closed at the beginning of 1983. In addition to works such as the anthology dedicated to the late Istvan Bibo,<sup>24</sup> a number of *samizdat* journals have begun to appear on a semiregular basis such as *Beszelo* (The Talker), *Tajekaztato* (Informa-

<sup>24</sup>Bibo, one of Hungary's leading political thinkers, was closely associated in the early postwar period with efforts to promote a third way between capitalism and communism. The commemorative volume was noteworthy for two reasons. First, the authors were not just dissidents, but also included some of the most important writers officially published in Hungary today. Second, the writers analyzed concretely and critically many sensitive aspects of contemporary Hungarian politics such as Church-state relations, the role of the party, and relations with the Soviet Union.

tion), and *Hirmondo*.<sup>25</sup> These journals publish information and essays on social, political, and cultural subjects that cannot be published in the official press. Considerable attention is devoted to such subjects as dissident activities elsewhere in Eastern Europe and the situation of the Hungarian minorities abroad. In fact, the dissidents have emerged as prime champions of the cause of those minorities.

### The Democratic Opposition

The most important dissident group is the "democratic opposition." This is not a unified movement, but a loose collection of groups and individuals representing a variety of political views and perspectives. These include:

- An "ouvrieriste" school, which is heavily influenced by left-wing radicalism and the New Left.
- A traditional "liberal" school, which emphasizes the importance of multiparty democracy in the 1945-48 period.
- A "nationalist-populist" school, which is chiefly concerned with the fate of the Hungarian minority in Romania and Czechoslovakia. The group is not irredentist, but rather advocates greater political and cultural autonomy for the Hungarian minority and greater efforts by the Hungarian government to ensure that autonomy.

Many of the older neo-Marxists have been influenced by the late Gyorgy Lukacs, while the populist-nationalist group draws inspiration from the works of the late Gyula Illyes, one of Hungary's greatest postwar poets who in recent years had become increasingly concerned (and outspoken) about the plight of the Hungarian minority. Perhaps the most influential figure, however, is Istvan Bibo, who has become a symbol of independent thought and refusal to compromise for many of the dissidents, particularly the liberals.

The Hungarian dissidents have maintained ties to a number of dissident groups in Eastern Europe, including KOR in Poland and Charter 77 in Czechoslovakia. The democratic opposition was one of the few segments of Hungarian society to openly sympathize with Solidarity. During the period prior to the imposition of martial law in Poland, contact between the two groups was close and the Hungarian

<sup>25</sup>The largest and best known of these is *Beszelo*. For reviews of the first two issues, see Steven Polgar, "Samizdat in Hungary," *Radio Free Europe Research*, May 3, 1982, and "Second Issue of 'Beszelo' Appears," RAD Background Report/151 (Hungary), *Radio Free Europe Research*, July 26, 1982; also, *Neue Zuercher Zeitung*, August 27/28, 1983.

opposition served as a conduit for news and reports from Poland.<sup>26</sup> Since then, it has continued to support human rights activists in both Poland and Czechoslovakia.<sup>27</sup>

In contrast to their counterparts in Czechoslovakia and Poland, however, the dissidents in Hungary have not tried to confront the regime through direct action, nor have they engaged in clandestine activity. Their objective has been to make clear the limitations of the Kadar compromise and to spark public debate. Hence, they have directed their efforts almost entirely toward influencing the intelligentsia, the main transmitters of ideas. They have also sought to maintain an unofficial dialogue with the government. Some of their ideas have been picked up by more politically acceptable members of the establishment, and some have eventually influenced policy.

While the dissident movement is small (numbering no more than several hundred "activists"),<sup>28</sup> it has become a source of growing concern to the government, and the authorities have begun to take a harsher line toward dissident activities. The closing of Laszlo Rajk's *samizdat* boutique, the enactment in September 1983 of a decree increasing the fines for printing and distributing *samizdat*, the arrest of Gabor Demsky (editor of the illegal "AB" publishing house), the stepped-up attacks against dissident writer Gyorgy Konrad, and the harassment of the prominent writer and poet Sandor Csoori all attest to the harsher attitude toward dissent adopted by the government and appear to be part of a broader campaign to crack down on nonconformist views.

This tougher line has been reflected in the cultural field as well. In July 1983, Richard Nagy, President of Hungarian Television since 1974, was dismissed and replaced by Mihaly Kornidesz, a well-known hardliner whose entire career has been spent in the Central Committee apparatus.<sup>29</sup> Perhaps the most important indication of this tougher

<sup>26</sup>The contact between the Hungarian dissidents and KOR precedes the outbreak of unrest in Poland in August 1980. At the beginning of 1978, at the request of KOR, an edited selection of *Marx in the Fourth Decade* and other works of Hungarian *samizdat* were published in Polish *samizdat* under the title *0.1 Percent*.

<sup>27</sup>In March 1984, for instance, 19 members of the democratic opposition issued a statement expressing support for a joint appeal calling for the release of political prisoners, which was issued by members of Solidarity and Charter 77. The signatories of the statement included most of the most prominent members of the democratic opposition, including the five editors of *Beszelo*.

<sup>28</sup>In addition, according to the dissidents, there are an estimated 2,000 to 3,000 immediate sympathizers and another 10,000 distant sympathizers.

<sup>29</sup>Nagy's dismissal may be related to his decision to broadcast the 24-part series "Drum Fire," a sympathetic portrayal of the experience of the Second Hungarian Army, which was sent unprepared to fight against the Russians in 1942-43. The series was discontinued after Soviet protest. See *Sueddeutsche Zeitung*, July 13, 1983, and *Neue Zuercher Zeitung*, July 10-11, 1983.

cultural line was the dismissal in November 1983 of Ferenc Kulin as editor of *Mozgo Vilag*, a literary journal noted for its controversial and critical views. Kulin's dismissal deserves attention for at least two reasons. First, there is some indication that it may have been prompted by the Russians.<sup>30</sup> Second, it sparked widespread protests among young Hungarian writers as well as students at several Hungarian universities, who demanded Kulin's reinstatement.<sup>31</sup>

A major reason for the crackdown appears to be the government's concern about the increased attention given by the dissidents to the issue of the Hungarian national minority. (Sandor Csoori, for instance, wrote an introduction to *The Choke Collar*, the political autobiography of Miklos Duray, the Hungarian dissident arrested by the Czechoslovak authorities for his outspoken criticism of the treatment of the Hungarian minority in Czechoslovakia; also, the statement issued in March 1984 supporting Solidarity and Charter 77 specifically linked the fate of political prisoners to the issue of the treatment of the Hungarian minorities in Czechoslovakia and Romania.) The minority question is a politically explosive issue which touches deeply felt sentiments shared by many Hungarians, and at a time of increasing economic problems, the Kadar government appears particularly concerned about any rise in nationalism among the population. To some extent, the crackdown may also reflect a desire on Kadar's part to allay the fears of his Warsaw Pact allies, especially the Soviet Union, about the political consequences of proceeding with his reform course.

The harsher attitude toward dissent evident since the beginning of 1983 should not be exaggerated. It is part of an effort to isolate the dissidents and draw the line more sharply between tolerable and intolerable dissent, rather than a reflection of a major retreat from the basic principles of Kadarism. The Hungarian leadership knows that if it cracks down too hard, it risks losing the support of many intellectuals and the technical intelligentsia, on which it is highly dependent. It is thus unlikely to press the crackdown too far.

### The Independent Peace Movement

Hungary has also witnessed efforts to form an independent peace movement outside official channels. The largest and most successful of these was the "Peace Group for Dialogue," which consisted mostly of university students. During its brief existence, the group organized a

<sup>30</sup>The September issue of *Mozgo Vilag* carried articles on the tragedy of the Hungarian Second Army.

<sup>31</sup>Hungarian Situation Report/15, *Radio Free Europe Research*, November 8, 1983.



number of public events, including a much publicized demonstration in Budapest in May 1983, which attracted considerable attention in the West because of its call for the withdrawal of both Soviet and American nuclear missiles from Europe.

The Kadar government, though, has been relatively successful in containing the groups' impact through a policy of cooption and selective harassment. The peace groups have been encouraged to cooperate, and even merge with, the official Peace Council, which has been rejuvenated in an effort to attract more young people. This has helped to defuse the peace issue and weaken the appeal of the independent peace groups. (The dialogue group, for instance, eventually decided to disband in the summer of 1979, largely as a result of internal differences over the question of cooperation with the Peace Council.)

### **Religious Dissent**

In the last few years Hungary has also witnessed increasing religious dissent, most of it pacifist in nature. It has come largely from the so-called "Basic Communities"—small, independent prayer groups that reject military service. Many of these groups have been inspired by the teachings of (Pietist) Gyorgy Bulanyi, a dissident priest who advocates conscientious objection. Bulanyi's views have periodically brought him into conflict with the Church hierarchy. In June 1982, he and several other priests were suspended for "erroneous views" and for preaching sermons opposing military service.

The Catholic Church in Hungary, however, is not likely to become a center of opposition. Unlike the Polish Catholic Church, it has no strong tradition of resistance to state authority and is not regarded as a symbol of nationhood and national independence. Moreover, in recent years there has been a visible improvement in Church-state relations. The Church has sought gradually to expand its role in society and its links to the state. At the same time, the government, faced with growing economic difficulties, has shown a willingness to cooperate more closely with the Church and has sought to elicit its assistance in dealing with pressing social problems such as divorce, alcoholism, and alienated youth.

### **Worker Dissent**

A potentially more serious prospect from the regime's point of view is that of worker dissent. To date, the working class has been relatively docile and has shown little inclination to take to the streets. There are a number of reasons for this docility. First, the workers

have been "bought off" by the regime with the promise of economic improvement in return for abstaining from politics. At the same time, the regime has shown itself to be relatively sensitive to worker concerns and grievances. The role of the trade unions has been strengthened, giving workers greater rights and influence. The 1967 labor code, for instance, provides for various workers' rights, including the right of veto over management decisions. Shop stewards have also been given a greater say in enterprise decisionmaking.

Such moves have served to reduce worker discontent. Strikes do occur from time to time, but they are usually of short duration and they have restricted aims. They are often resolved informally within the enterprise or by going directly to the shop stewards. In most cases, management tends to act quickly to rectify grievances before the discontent gets out of hand.

Another important factor mitigating against worker turmoil is the existence of the second economy, which provides an important outlet for worker energies. Rather than striking, many workers prefer to spend their time making more money by moonlighting or taking a second job in the private sector, where earnings are considerably higher than in the socialized sector.<sup>32</sup> Finally, the generally high standard of living in Hungary has also served to defuse worker discontent.

Nevertheless, the continued quiescence of the workers cannot be taken for granted. In the past, the workers have shown that they are capable of flexing their political muscles. In 1969, they forced the government to abolish a profit-sharing plan weighted in favor of enterprise managers, and in 1972 they won a wage increase despite repeated statements by the government that such a move was impossible. Moreover, they remain strongly opposed to wage differentiation.

A number of measures in the reforms adopted since 1979 directly affect the interests of the industrial proletariat. The renewed emphasis on efficiency, for instance, is likely to lead to a rise in planned migration of workers in the industrial sectors as more unprofitable firms are forced to close. At the same time, the increased emphasis on wage differentiation inherent in the reform measures affects the earnings of workers in large enterprises. At a time of stagnating real wages, this could lead to renewed agitation for giving greater priority to social welfare.

<sup>32</sup> According to some estimates, three-fourths of all Hungarian families engage in some sort of "supplementary activity" to augment their income. One-third of all services are provided by the communist sector, one-third by legitimate private craftsmen, and one-third by "illegal" workers. For a good discussion of the secondary economy in Hungary, see Istvan Kemeny, "The Unregistered Economy in Hungary," *Soviet Studies*, July 1982, pp. 349-366.

## THE HUNGARIAN MINORITY QUESTION

Perhaps the most important social problem the regime faces is that of the Hungarian national minorities abroad. Their fate is a major concern to Hungarians at home, and it complicates Budapest's relations with its communist neighbors, particularly Romania and Czechoslovakia. The problem has been exacerbated, moreover, by the fact that some intellectuals and dissidents have lately begun to champion the cause of the minorities.

The most acute problem is with Romania, where some 2 million Hungarians live, most of them in Transylvania. While the Kadar government has generally tried to play down the minority question, polemics between the two countries over the issue have escalated over the last year. Two events in particular appear to have contributed to these polemics. The first was the publication of a book by Romanian author Ion Lancranjan entitled *A Word on Transylvania*. The book was a sharp attack on Hungarian minority policy and touched off a furor in Budapest.<sup>33</sup> The second and more important event was Romania's celebration in 1983 of the 65th anniversary of the establishment of the unified Romanian state, which resulted in a flood of articles in the Romanian press with strongly nationalistic and anti-Hungarian overtones.<sup>34</sup> As a result, relations between Romania and Hungary have deteriorated, and Kadar has come under pressure, especially from the dissidents and the intellectual community, to take a stronger stand on the issue.<sup>35</sup> Efforts to resolve the issue diplomatically through high-level contacts to date have generally been unsuccessful.

The treatment of the Hungarian minority of 600,000 in Czechoslovakia has also caused tensions in relations between Prague and Budapest. The major cause of recent tensions is the effort by the

<sup>33</sup>From the Hungarian point of view, the most irritating aspect of the book was that it made no distinction between the policy pursued by the prewar dictator, Admiral Miklos Horthy, and that pursued by the current Hungarian government, thus indirectly implying that the Kadar government was little different from the prewar regime. For a discussion of the Hungarian reaction, see Alfred Reisch and Judith Pataki, "Hungarian-Romanian Polemics over Transylvania Continue," RAD Background Report/238 (Hungary), *Radio Free Europe Research*, November 15, 1982.

<sup>34</sup>The most controversial of these articles were by Ilie Ceausescu, who is Deputy Minister of National Defense and the brother of Romanian leader Nicolae Ceausescu. For details, see Anneli Maier, "Romania Commemorates Foundation in 1918," RAD Background Report/30 (Romania), *Radio Free Europe Research*, March 1, 1984.

<sup>35</sup>In November 1982, 72 Hungarian intellectuals sent a protest to Gyorgy Lazar, the President of the Council of Ministers of the Hungarian Writers Union, and the Hungarian Pen Club about the treatment of the Hungarian minority in Romania. (*Frankfurter Allgemeine Zeitung*, November 25, 1982.) Prior to his death in 1983, the Hungarian poet Gyula Illyes also became an outspoken champion of the cause of the Hungarian minority.

Czechoslovak government to reduce the number of subjects taught in Hungarian schools.<sup>36</sup> This has led to growing discontent and unrest among the Hungarian minority. Their plight was dramatized by the arrest in November 1982 of Miklos Duray, the leader of the Legal Defense Committee of the Hungarian Nationality in Czechoslovakia. Duray's arrest sparked a wave of protest by intellectuals in the West as well as in Hungary, accentuating existing strains between the two countries.<sup>37</sup>

In the hope of obtaining reciprocal treatment for the much larger Hungarian minorities in Czechoslovakia and Romania, the Hungarian government has undertaken efforts to improve the treatment of the small Slovak and Romanian national minorities living in Hungary. These efforts have been only partially successful, however. While there has been some modest improvement in the situation in Czechoslovakia, there has been little change in Romania. Indeed, the increasingly nationalistic tone adopted by Ceausescu over the last year has exacerbated the situation.

The Kadar regime faces a difficult dilemma. On the one hand, the government does not want to let the rise in national feelings get out of hand, especially at a time when discontent over the state of the economy is rising. On the other hand, it cannot afford to be perceived as disregarding strongly felt national interests, lest it undermine its own legitimacy. As economic conditions deteriorate, treading this fine line is likely to become more difficult.

## THE ROLE OF THE MILITARY

The military has traditionally been one of the most respected professions in Hungarian society. After World War II, the old bourgeois officer corps was purged and replaced with a new leadership drawn mostly from worker and peasant backgrounds. As in other Soviet bloc countries, the army underwent a process of "Bolshevization" and was reorganized along Soviet lines, with Soviet officers being attached to Hungarian command headquarters. Hungarian officers were also sent to Soviet military academies to study.

<sup>36</sup>For instance, a proposal in the spring of 1984 to increase the number of subjects in Hungarian schools taught in Slovak provoked such large-scale protests from the Hungarian minority that the Slovak government was forced to withdraw the measure temporarily. For details, see Situation Report/6 (Hungary), *Radio Free Europe Research*, May 8, 1984.

<sup>37</sup>Duray was tried in February 1983 but was later released as a result of intercession on his behalf by the Hungarian government. He was rearrested in May 1984.

In general, the army has displayed loyalty to the regime. During the 1956 uprising, some units and individual officers did join the insurgents (the most notable being Colonel Pal Maleter, who became Defense Minister in Imre Nagy's short-lived government and was later executed). But the majority of the officer corps remained neutral. After the suppression of the uprising, the army was thoroughly purged of "hostile elements" and the command structure was revamped under Soviet supervision. Moreover, the definitional role of the army was changed. Greater emphasis was placed on the defense of the homeland (*Hazak*), rather than on the defense of "the great socialist fatherland."<sup>38</sup> Party control over the military was strengthened. Party membership among professional members is high and is a prerequisite for advancement.

In the aftermath of the revolution, military-patriotic education was also strengthened. Emphasis was put on the army's role as defender of the homeland; on the necessity of avoiding the ideas of separatism from society and superiority over other state organs; and the primacy of civilian (especially party) leadership and control. This stronger emphasis on party supremacy has helped to combat the rise of any Bonapartist tendencies.

In short, regime control of the military is strong. As long as the Hungarian leadership continues its commitment to improving the welfare of the population and to the depoliticization of Hungarian life, the prospects for any significant threat to the regime from within the military are small. As Ivan Volgyes has argued, even in a revolt similar to that of 1956, the army would probably come to the defense of the leadership or at worst would remain neutral.<sup>39</sup>

Participation in an invasion of another communist state, however, is another matter. Hungary did take part in the invasion of Czechoslovakia in 1968, but only reluctantly, and it would probably do its utmost to avoid a repetition of this painful experience. Kadar, for instance, is reported to have argued strongly against using military force to resolve the Polish crisis in 1981.

How Hungarian troops would react in the event of Soviet pressure or intervention in Hungary is difficult to judge. The Hungarian army was never really put to the test in 1956: Nagy never issued orders to the army to resist, but rather left the decision to individual commanders. Much would depend on the position the Hungarian regime itself adopted. Regardless of the regime's position, however, resistance

<sup>38</sup>Ivan Volgyes, *The Political Reliability of the Warsaw Pact Armies*, Durham, North Carolina: Duke Press Policy Studies, 1982, p. 66.

<sup>39</sup>*Ibid.*, p. 85.

would be difficult. There are four Soviet divisions in Hungary, and Soviet control of command, communications, and intelligence functions as well as air defense is strong.

### THE SOVIET FACTOR

While the major determinants of Hungary's ability to continue—and especially expand—its reform course are domestic, the attitude taken by the Soviet Union will be crucial. To date, Moscow has been willing to tolerate Hungary's deviation for several reasons. First, Hungary has faithfully echoed the Soviet line on foreign policy, albeit at times with distinct Hungarian accents. Second, Kadar has shown a great sensitivity to Soviet interests and attitudes. He has been careful to consult with the Soviet leadership and get Moscow's imprimatur before embarking on new initiatives. Third, Kadar's policy has kept Hungary quiescent and stable. While other East European countries have been plagued by mounting political and economic difficulties, Hungary has been an island of economic prosperity and political stability.

Last and perhaps most important, Kadar has been able to win the trust and confidence of the Soviet leadership—perhaps because he was first installed by Moscow. His relations with Khrushchev were particularly close. Once Khrushchev was deposed, however, he quickly succeeded in winning Brezhnev's confidence and trust. Moreover, Kadar was able to exploit the general immobilism in Soviet policy during Brezhnev's latter years to quietly expand Hungary's domestic reform after 1978.

The transition from Brezhnev to Andropov was probably easier for Kadar than for any other East European leader. Kadar had a long-standing relationship with Andropov, dating back to the mid-1950s, when Andropov was Ambassador to Hungary (1954–57). These personal ties gave Kadar a distinct advantage over other East European leaders and made it easier for him to gain the trust and confidence of the new Soviet leader.<sup>40</sup>

During his visit to Moscow in July 1983, Kadar appears to have succeeded in obtaining Andropov's backing for a continuation of his moderate reform course.<sup>41</sup> One should not, however, exaggerate the degree of Soviet support for Kadar's policies. The Soviet attitude can

<sup>40</sup>As he noted at a press conference during his visit to Moscow in July 1983, "I have known Yuri Andropov for a long time. He knows our country very well. Therefore it is easy to converse with him. Old acquaintances need fewer words to understand each other." (TASS, July 21, 1983.)

<sup>41</sup>Alfred Reisch, "Kadar Policies Get Seal of Approval from New Soviet Leadership," *op. cit.*

best be summed up as one of *tolerance* rather than enthusiasm. Within certain circles of the Soviet leadership, as well as the Czechoslovak and East German leaderships, there remain deep reservations about the ideological implications and long-term political consequences of Hungary's reform.

Andropov's death, moreover, has removed Kadar's most important patron. Kadar does not have a particularly close relationship with Chernenko, who at 73 is likely to be a transitional leader anyway. Over the long run, much will depend on who succeeds Chernenko. Michael Gorbachev, the current favorite, would probably be more favorably disposed toward Hungary's reform than the more conservative and nationalistic Grigori Romanov, another prime contender.

At the same time, Kadar's own departure is likely to affect the Soviet attitude. As noted earlier, Soviet tolerance of the Hungarian reform has been closely tied to Moscow's trust and confidence in Kadar personally. Once Kadar is gone, the Soviet attitude could harden, especially if his departure leads to growth of greater political pluralism and/or a rise in social discontent.

### HUNGARY'S WESTPOLITIK

The expansion of the NEM since 1979 has been accompanied by a gradual effort on Hungary's part to broaden its relations with the West, particularly in the economic area. Today, 35 percent of Hungary's trade is with the West—the highest percentage of any East European country. Hungary's decision to join the IMF (May 1982) and the World Bank (June 1982) reflect its strong interest in integrating its economy more fully into the world economy, and Budapest has also expressed interest in concluding a trade agreement with the EEC.<sup>42</sup>

Recently, moreover, Hungary has begun to play a more active role in East-West diplomacy. In September 1983, U.S. Vice President George Bush became the highest ranking U.S. official to visit Hungary in the postwar period. His visit did much to further solidify Hungarian-U.S. relations. However, the sharp Hungarian reaction to the Vice President's speech in Vienna—in which he praised Hungarian domestic

<sup>42</sup>*Frankfurter Rundschau*, July 15, 1983. Hungary has concluded several limited agreements with the EEC on such specific items as textile products and steel, as well as for trade in wine, pork, and lamb. The Hungarians now want these and other agricultural products to be covered by one broad, overall agreement. The only other communist countries to have such general agreements are Romania and Yugoslavia.

policies while strongly attacking the Soviet Union<sup>43</sup>—underscores Budapest's sensitivity to being singled out publicly from the rest of the Warsaw Pact. Such attention, the Hungarians fear, will only reinforce Soviet concern about Kadar's reform course and complicate Hungary's relations with Moscow.

Hungary has also made a visible effort to improve relations with Western Europe. In February 1984, British Prime Minister Margaret Thatcher completed a highly successful trip to Hungary—her first to a communist country since taking office. Her trip was followed by visits by Italian Prime Minister Bettino Craxi and West German Chancellor Helmut Kohl. Kadar paid an official visit to France in October 1984. This reciprocated a visit to Budapest by French President Francois Mitterand in the summer of 1982—the first ever by a French President.

These visits underscore Budapest's determination to continue to expand relations with the West despite the freeze in superpower relations. Over the past few years, Hungary has emerged, along with East Germany, as one of the foremost proponents of détente within the Warsaw Pact. Since the beginning of 1984, in fact, there has been a visible coincidence of views between Budapest and East Berlin on issues related to East-West relations. Both countries have strongly supported a return to a policy of détente and dialogue with the West despite the deterioration of superpower relations. Furthermore, Hungary has backed East Germany's efforts to improve relations with Bonn, despite the sharp criticism that these efforts have evoked from Moscow and Prague.<sup>44</sup>

By repeatedly stressing that inner-German relations have a broader "European" significance, Hungary has indirectly sought to defend its own attempt to cultivate better ties with the West. Such efforts are part of a wider debate within the Warsaw Pact about the role of "national interest" vs. "international obligations," which surfaced in full force in 1984. Hungarian officials have argued that while the basic foreign policy objectives of socialist countries are identical, each socialist country has "unique possibilities" to achieve these shared objectives, and that the "historic traditions of relations and certain contemporary situational factors" make it possible for relations between a given communist country and a capitalist country to develop when the general trend in East-West relations is characterized by "deterioration and a

<sup>43</sup>See *The New York Times*, September 20, 1983.

<sup>44</sup>See in particular the article by Matyas Szuros, Central Committee Secretary in Charge of Foreign Relations, in *Nepszabadszag*, August 22, 1984.



narrowing of the range of contacts."<sup>45</sup> They have also stressed the important role that small and medium powers can play in promoting the improvement of East-West relations.<sup>46</sup>

Such statements have sharply contrasted with the views put forward by other communist countries, notably Czechoslovakia. In March 1984, for instance, the Czechoslovak party paper *Rude Pravo* strongly criticized certain communist countries for putting national interests ahead of international solidarity.<sup>47</sup> While Hungary was not expressly mentioned by name, it was clear at whom the criticism was aimed. Soviet authors have also taken a similar line.<sup>48</sup>

Such differences should not be exaggerated however. They do not suggest that Hungary is about to become a second Romania. The Hungarians are wary about getting too far out in front—witness their strong reaction to Vice President Bush's Vienna speech. Kadar therefore is likely to proceed cautiously in relations with the West in order to avoid provoking Moscow and endangering the continuation of his domestic reform program. Nonetheless, within carefully prescribed limits, Budapest can be expected in the future to assert its national interests more forcefully.

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<sup>45</sup>Matyas Szuros, "The Reciprocal Effect of National and International Interests in the Development of Socialism in Hungary," *Tarsadalmi Szemle*, No. 1, January 1984.

<sup>46</sup>Matyas Szuros, "Common Goals, National Interests," *Magyar Hirlap*, April 4, 1984, as well as the interview with Deputy Foreign Minister Ferenc Esztergalyos in the *Daily News* April 4, 1984, the English-language publication of the Hungarian news agency MTI.

<sup>47</sup>Michael Stefanak and Ivan Hlika, "The National and International in CPCS Policy," *Rude Pravo*, March 30, 1984.

<sup>48</sup>See in particular the article by O. S. Borisov, "An Alliance of a New Type: The Further Strengthening of the World Socialist Community—A Most Important Aspect of the Activities of the CPSU and the Fraternal Parties," *Voprosy Istorii KPSS* (Moscow), April 1984. O. S. Borisov is the pseudonym for O. B. Rakhmanin, First Deputy Head of the CPSU Central Committee Department for Liaison with Communist and Workers' Parties, an influential party official.

## V. EAST GERMANY

For many years, East Germany was considered an outcast—an international pariah. Since the normalization of its relations with Bonn, however, and its entry into the United Nations, the GDR has broadened its diplomatic ties and emerged as one of the ten largest industrial powers in the world. At the same time, it has become Moscow's most important ally and "junior partner" within the communist bloc.

For all its achievements, however, the GDR remains profoundly insecure, due to a deep-seated "crisis of legitimacy." It is not just that the party in the GDR lacks the legitimacy of the party in other communist states, the *state* itself lacks legitimacy. The GDR, like its counterpart, the FRG, is an artificial creation with neither deep historical roots nor a truly "national consciousness." Moreover, the GDR is the only East European state confronted by another state on its borders whose population shares the same history, political culture, and language and thus acts as a magnet for discontented or dissatisfied members of the local population.

In short, the GDR has had to "build socialism" under more difficult conditions than existed elsewhere in Eastern Europe. The GDR's difficulties have been exacerbated, moreover, by several other factors, the first of which is television. West German television broadcasts are received by 80 percent of the East German population. Thus, despite the rather strict regulations against travel, a large portion of the population is able to "visit" the FRG every night via television. This severely complicates the East German regime's task of developing a strong sense of identification and legitimacy.

A second factor (discussed in greater detail below) is the impact of the Federal Republic's *Ostpolitik*. The normalization of relations between the two Germanies in 1972 has resulted in a proliferation of contacts and communication, both official and unofficial. This has tended to erode the sense of estrangement that was developing in the 1960s and has made the process of consolidation more difficult.

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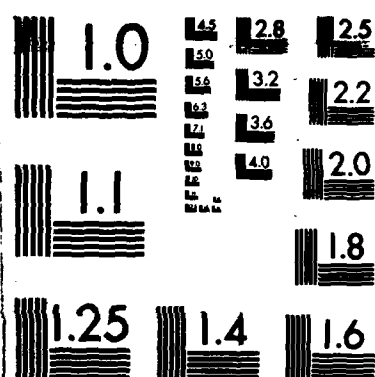
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## PARTY POLITICS

### The Honecker Era

Since succeeding Walter Ulbricht as First Secretary in May 1971, Erich Honecker has gradually consolidated and extended his power. He currently holds the three top positions in the GDR: General Secretary of the SED, Chairman of the Council of State, and Chairman of the Defense Council. Moreover, at the 8th Party Plenum in May 1984, Honecker strengthened his position by adding to the Politburo Herbert Haeber, Guenther Schabowski, Werner Jarowinsky, and Guenther Kleiber, all of whom have close ties to the First Secretary and can be counted on to strongly support his policies. In fact, Honecker apparently feels so secure that he has allowed the rehabilitation of his predecessor, Walter Ulbricht, who was considered a nonperson for years after his resignation.<sup>1</sup>

Like Hungary, however, the GDR is approaching the end of an era. Honecker is nearly 72, and while his health is good, his days as party leader are clearly limited. Indeed, recent changes in the top echelons—especially the elevation of Egon Krenz to the Politburo at the 7th Party Plenum in November 1983—suggest that Honecker may already be paving the way for his succession. At 46, Krenz is the youngest member of the Politburo. Like Honecker, he began his career in Youth Affairs, having served as head of the East German Youth Organization *Freie Deutsche Jugend* (FDJ) from 1974 to 1984. Since his elevation to the Politburo in November 1983, Krenz has played an increasingly visible role, often receiving foreign delegations and appearing at Honecker's side. Moreover, at the 8th Party Plenum, in May 1984, he officially took over the all-important Security portfolio from Paul Verner, who retired for reasons of health.

Krenz's increasingly prominent role and his frequent public appearances suggest that Honecker may be grooming him as his successor. Krenz is still young and inexperienced, however, and his major strength is his close personal ties to Honecker. His chances of succeeding Honecker will depend largely on his ability to consolidate and expand support among the party elite over the next few years, as well as on the timing of Honecker's departure. The longer Honecker remains in office, the better are Krenz's chances of taking over the top party job.

<sup>1</sup>See Ronald Asmus, "The GDR Rehabilitates Walter Ulbricht," RAD Background Report/130 (German Democratic Republic), *Radio Free Europe Research*, August 10, 1983. Also *Sueddeutsche Zeitung*, July 30, 1983.

Two other potential candidates also deserve mention. The first is Konrad Naumann, at 55, the head of the Berlin party district. Naumann, a member of the Politburo, has considerably more high-level experience than Krenz. His political position was strengthened, moreover, by his elevation to the Central Committee Secretariat at the 8th Party Plenum. In addition, he is in charge of the 750th anniversary celebration of the founding of Berlin, an important post that will give him the opportunity to increase his visibility.

The second potential candidate is Guenter Mittag, currently Central Committee Secretary for Economics. Mittag has been a member of the Politburo since 1966 and was First Deputy Prime Minister from 1973 to 1976. Highly regarded for his economic expertise and managerial skills, he often accompanies Honecker on trips abroad and enjoys his trust and confidence. He is essentially a technocrat, however, rather than a man of the party apparatus. Moreover, he lacks experience in two critical areas, security affairs and cadre policy within the party. He thus seems more likely to succeed Willi Stoph as Prime Minister than Honecker as party leader.

Regardless of who succeeds Honecker, however, the GDR is facing a large-scale changing of the guard in the top echelons of the party in the next few years. The East German leadership is currently divided into two distinct groups: an older group, the youngest of whom are in their late sixties, and a younger group, all in their fifties. The older group includes Honecker, Prime Minister Willi Stoph, President of the *Volkskammer* (Parliament) Horst Sindermann, Minister of State Security Erich Mueller (at 76, the oldest member of the Politburo), Deputy Prime Minister Alfred Neumann, Chairman of the Central Party Commission Erich Mueckenberger, Defense Minister Heinz Hoffman, Central Committee Secretary for Culture and Science Kurt Hager, and Central Committee Secretary for International Relations Hermann Axen.

The younger group is just beginning to move into positions of power. In addition to Mittag, Naumann, and Krenz, it includes Central Committee Secretary for Agriculture Werner Felfe, Central Committee Secretary for Agitation and Propaganda Joachim Hermann, Central Committee Secretary for Party Organs Horst Dohls, and First Deputy Prime Minister Werner Krolikowski. The orientation and political experience of this group differ significantly from those of the older generation. They all joined the party right after World War II and came to political maturity at a time when the GDR's existence was no longer in question. They are less fearful of the West and more willing to

compete with it.<sup>2</sup> Their position has been enhanced, moreover, by the elevation of Haeber, Jarowinsky, and Kleiber to the Politburo.

While differences within the leadership clearly exist, there has been remarkably little open dissent since Honecker's assumption of power. On some issues, such as policy toward Bonn, Honecker appears to have faced resistance—especially from some of the more ideologically rigid members of the "old guard," notably Verner and Mielke—but this has been over how much flexibility to show, not over basic direction of policy. These differences manifested themselves in particular during the fall of 1983 on the issue of how far to go to meet Bonn's humanitarian concerns.<sup>3</sup>

The one suggestion of deep-rooted discontent within the party was the appearance of a "manifesto" in 1978 by a group of upper- and middle-level party functionaries calling themselves the "Bund of the Democratic Communists of Germany." The manifesto called for major reforms, including the introduction of party pluralism, popular elections to a genuine parliament, the abolition of democratic centralism, and efforts to promote reunification.<sup>4</sup> The fact that nothing more was heard from the group suggests that it was relatively isolated, if in fact it existed at all.

### The Search for National Identity

The transition from Ulbricht to Honecker was also marked by a greater emphasis on raising the standard of living, a reduction of wage and income inequalities that had arisen under Ulbricht and that favored the scientific/technical intelligentsia, a more relaxed cultural policy, and a gradual easing of Church-state relations, symbolized in particular by the 1978 meeting between Honecker and Bishop Albrecht Schoenherr, the Chairman of the Federation of Evangelical Churches in the GDR.

Perhaps the most important change under Honecker, however, has been in the GDR's attitude toward reunification and Germany's past. While Ulbricht did strive single-mindedly for international diplomatic recognition, he never sought to make a complete break with the past.

<sup>2</sup>The younger group is far from monolithic, however. Some, such as Naumann, are ideological, while others, such as Mittag, are technocrats.

<sup>3</sup>There is some indication, for instance, that Honecker was willing to be more forthcoming about liberalizing restrictions on East German travel to the FRG, but was unable to overcome the strong resistance of the more conservative members of the Politburo. See *Der Spiegel*, No. 40, 1983, p. 18.

<sup>4</sup>For the text of the Manifesto, see *Der Spiegel*, January 2 and 9, 1978; also Peter Bender, "Episode oder Alarmzeichen fuer Honecker? Anmerkungen zum 'Spiegel Manifest,'" *Deutschland Archiv*, Vol. 2, 1978, pp. 113-116.

Beginning in the early 1970s, Honecker launched a major campaign to deemphasize the idea of the German nation and to develop a separate East German identity. In 1974, the constitution was amended, eliminating all references to the German nation and to German unity. The GDR, which had previously been referred to as "a socialist state of the German nation" was simply called "a socialist state of peasants and workers." References to Germany and German were also dropped from stores, hotels, and various cultural organizations, and the GDR national anthem was changed to eliminate references to "Germany our united fatherland."

But these efforts to create a separate East German identity based on socialist traditions and proletarian internationalism have been only partially successful. While precise data are difficult to obtain, the available evidence suggests that the concept of a separate East German consciousness has failed to establish deep roots among the GDR population.<sup>5</sup> If anything, the popular sense of identification with a common German nation is currently much stronger in the GDR than in the FRG.

This failure to instill a deep-seated sense of East German consciousness has been instrumental in prompting another recent shift in policy—the gradual reassessment of certain aspects of German history and certain historical figures, including Frederick the Great, Johann Wolfgang Goethe, and Richard Wagner. Once vilified as the personification of bourgeois reaction, these men have recently begun to be treated favorably by GDR historians. The regime has made these efforts at historical revisionism to strengthen its own legitimacy through association with German cultural traditions that are revered by the population and portrayal of the GDR as the true inheritor of these traditions.

Perhaps the best example of this has been the effort to reinterpret the historical role of Martin Luther.<sup>6</sup> Once denounced as a traitor and a vassal of medieval German princes, a man who laid the groundwork for the advent of the Nazis, Luther is now portrayed by GDR historians as a precursor to Marx in the revolutionary struggle for social justice. The 500th anniversary of Luther's birth, in 1983, was turned into a gigantic propaganda extravaganza in an effort to attract Western tourists and to underscore the identification of this great historical figure with the GDR. The importance attached to the Luther

<sup>5</sup>A poll of youth conducted by the SED in the 1970s showed that 75 percent of those between the ages of 16 and 25 considered themselves to be "German," not East German. (*Der Spiegel*, October 1, 1979.)

<sup>6</sup>For a fuller discussion, see Ronald Asmus, "The GDR and Martin Luther," *Survey*, Summer 1984, pp. 80-87.



celebrations was underscored by the fact that Honecker himself headed the state committee in charge of the *jubilium*. In fact, the festivities completely overshadowed the concurrent celebration of the 100th anniversary of Karl Marx's birth.

The celebration of the 35th Anniversary of the founding of the GDR in October 1984 provides another example of this effort. The celebrations were used by the authorities to stress the GDR's "profound and firm roots" in German history and the country's separate identity, distinct from that of its West German neighbor. The SED has tended to expropriate the positive elements of German history and depict the GDR as being "the heir to and continuation of all that is good, progressive, humane and democratic" in German history.<sup>7</sup> Such efforts mark a sharp departure from the GDR's earlier attempts to portray itself as a new state, with no tie to the recent past. They are part of a broader process of historical revisionism designed to enhance the SED's legitimacy by stressing the GDR's links with the nonsocialist German past.

### GROWING ECONOMIC DIFFICULTIES

One of the major hallmarks of Honecker's policy has been an effort to raise the standard of living. This was underscored at the Ninth SED Congress in 1976, which set forth as its main task the "enhancement of the material and cultural standard of living of the people." And in the 1970s, the GDR did record significant growth rates. Net material products increased 5.5 percent per annum in 1971-75 and about 4.2 percent per annum in 1976-80. Per capita GNP was (and remains) nearly twice as high as that in any other bloc country.

However, the growth rate was financed largely by Western credits. As a result, the GDR has recently been faced with a number of economic problems similar to those plaguing planned economies elsewhere in Eastern Europe: rising inflation, declining agricultural production, food shortages, and a burgeoning foreign debt. In 1981, the national income grew only 3 percent instead of the planned 4.8 percent, agricultural production declined, and investment was significantly lower.

The most critical problem facing the GDR, however, is the size of its foreign debt, which is currently estimated to be between \$9 billion and \$10 billion—the second highest in the Eastern bloc, behind Poland.<sup>8</sup>

<sup>7</sup>*Neues Deutschland*, January 21-22, 1984.

<sup>8</sup>In 1981, the GDR had to pay back about \$1.3 million in interest on its debt. This was the value of about one-fourth of its exports to the West. (*Die Zeit*, November 4, 1982.)

Nearly half this amount is in short-term credits. The large hard-currency debt has forced the GDR to shift its pattern of trade toward the FRG, because it must use its hard-currency receipts from the other Western countries to defray interest and principal on its debt.<sup>9</sup>

Several factors have contributed to these economic difficulties. The first is the world recession, which frustrated the GDR's export goals. This was compounded by the high international lending rates in the United States, which raised the cost of servicing the GDR's debt via short-term credits. (Forty percent of the GDR's debts are from credits with a time span of less than a year.) A third crucial factor has been the oil crisis, particularly the reduction of Soviet deliveries of crude oil. The GDR imports 93 percent of its crude oil from the USSR. The Soviet decision in 1981 to reduce the volume of its crude oil exports by 10 percent, from 19 to 17.1 million tons, forced the GDR to scramble to try to make up the shortfall. One response has been a major effort to expand relations with oil-rich countries such as Iran, Iraq, Libya, and Mexico. The cutback was also the catalyst for a shift in GDR energy policy toward greater conservation and diversification of energy sources. In the short term, the SED has called for greater reliance on brown coal. In the long term, however, nuclear power is expected to provide for most of East Germany's energy needs.

The crisis in Poland in 1980-81 also contributed to the GDR's economic problems. While the GDR has substantial deposits of brown coal, it must import all its hard coal, much of which comes from Poland. Shortfalls in Polish hard-coal deliveries in 1981-82 forced the GDR to look elsewhere—especially to the FRG.

Finally, the GDR's pricing policy also exacerbated its current economic difficulties. For political reasons, the SED has kept meat prices artificially low. This has resulted in a growing dependence on Western (primarily U.S.) grain imports, which must be paid in hard currency. In 1975-80, the GDR imported nearly 30 percent of its total grain requirements. Such imports have put an increasing burden on the GDR that it can no longer afford. At the 10th Party Congress, Honecker called for a reduction of grain imports through increased domestic production and better use of existing stocks. Such steps are likely to be insufficient, however, to achieve the GDR's long-range goal of eliminating grain and fodder imports altogether.<sup>10</sup>

<sup>9</sup>The barter-type trading arrangements between the two Germanies are based on a clearing system that enables East Germany to use any increase in its exports to West Germany to boost imports from the FRG without spending hard currency.

<sup>10</sup>See Ronald Asmus, "The Grain Problem in the GDR," RAD Background Report/112 (German Democratic Republic), *Radio Free Europe Research*, May 13, 1982.

The cutbacks in grain and other imports have led to increasing shortages of meat and other staples.<sup>11</sup> Paper shortages have also been reported. In the spring of 1983, the well-known East German monthly *Deutsche Aussenpolitik* (German Foreign Policy), published by the Institute of International Relations in East Berlin, was forced to cease publication, while the widely read foreign policy journal *Horizont*, which previously appeared weekly, was changed to a monthly. All other newspapers have had to make do with less paper.<sup>12</sup>

While the GDR still maintains a higher standard of living than any other East European country, with the possible exception of Hungary, the shortages have led to increasing grumbling and irritation among the population. Over the long run, such shortages could lead to increased social tensions, especially among the workers. The fact that other countries in Eastern Europe are equally as bad or worse off is unlikely to be much comfort to most East German citizens, because the standard of comparison in the GDR is not with other countries in Eastern Europe but with the FRG, where the living standard is considerably higher.

Over the last several years, however, the GDR has undertaken a stabilization program that has begun to show results. By drastically cutting back imports and expanding exports, the GDR has managed to reduce its hard-currency debt to the West. Two large West German credits and a strong expansion of exports to the West have also helped to ease the GDR's debt problems. In addition, the GDR appears to have a much larger hard-currency reserve than Western bankers originally thought.<sup>13</sup> As a result, East Berlin is likely to have little difficulty in obtaining Western credit in the near future.

## DISSENT

Since the suppression of the 1953 uprising in East Berlin, there have been few manifestations of open dissent in the GDR. From time to time, intellectuals like Wolfgang Harich and Robert Havemann have spoken out and dared to challenge the regime, but these relatively isolated cases have posed no real threat to regime stability.

The relative stability that has characterized GDR politics can be attributed to several factors. The first is the efficiency and diligence of the East German security services. The GDR is one of the most

<sup>11</sup>*Der Spiegel*, November 4, 1982; *Sueddeutsche Zeitung*, November 25, 1982; *Neue Zuercher Zeitung*, March 4, 1983; *Financial Times*, October 28, 1982.

<sup>12</sup>*Sueddeutsche Zeitung*, April 9, 1983.

<sup>13</sup>For details, see *Frankfurter Allgemeine Zeitung*, September 7, 1984.

tightly controlled states in Eastern Europe. Those who dare to disagree with the regime are usually dealt with harshly and swiftly.<sup>14</sup> Added to this is the fact that there are some 400,000 Soviet troops in the GDR. Most East Germans recognize the importance of the GDR to Soviet security interests, and they know that if the East German regime were threatened—as it was in 1953—Moscow would not hesitate to use its troops to repress any unrest.

Another factor that has helped to prevent any major outbreak of dissent has been the regime's relative success in coopting the technical intelligentsia. In the 1960s, the SED under Walter Ulbricht significantly opened up the upper levels of the party to the technical intelligentsia and consciously sought to draw them into the decisionmaking process.<sup>15</sup> Ulbricht showered them with material privileges and other forms of status. While this had a somewhat debilitating effect on the ideological élan of the party, it was highly successful in enhancing the support of the technocrats for the regime. This trend has continued under Honecker, albeit to a lesser extent.

A final reason for the relative stability in the GDR is, ironically, the existence of the FRG. While a prosperous and democratic West Germany next door acts as a powerful magnet and source of comparison, it also serves as an important "escape hatch" for disaffected opponents of the regime. Until the Berlin Wall was built to stop the flow, nearly 3 million GDR citizens "voted with their feet" and fled to the FRG. More recently, West Germany has become a convenient "dumping ground" for malcontents and rebellious dissidents whose outspoken views the regime finds objectionable.

In the past few years, the SED has increasingly employed this option to deal with unruly critics. Many of the GDR's most important artists, including Guenther Kunert, Joachim Schneider, Jurek Becker, and Joachim Seyppel, have been granted visas to travel to West Germany for extended periods, in the hope that they will remain there permanently; others, like lyricist Wolfgang Bierman, have been stripped of their citizenship and expelled. Similar methods have been used to deal with unruly members of the peace movement who have incurred the regime's ire.

The policy of forced emigration has enabled the regime to prevent the dangerous buildup of pressures that would threaten political

<sup>14</sup>According to Western sources, there were approximately 4,500 political prisoners in the GDR in 1981. See *Deutschland Archiv*, Nr. 7, 1981, p. 789.

<sup>15</sup>On the cooption of the technical intelligentsia in the GDR, see Thomas A. Baylis, *The Technical Intelligentsia and the East German Elite*, Berkeley: University of California, 1974; and Peter Christian Ludz, *Changing Party Elite in East Germany*, Cambridge: MIT Press, 1972.

stability, and at the same time, it has reduced opportunities for the regime's critics to engage in organized oppositional activity. Moreover, once in West Germany, the dissidents' political impact is usually considerably weakened.

Indeed, the idea of such a "safety valve" may have been one of the prime considerations behind the GDR's decision to allow a record number of GDR citizens to emigrate at the beginning of 1984.<sup>16</sup> The decision was undoubtedly taken with an eye to the positive impact it would have on relations with the FRG, particularly in light of the GDR's interest in obtaining new credits. At the same time, however, it allowed the GDR to rid the country of a large number of malcontents. While some of those allowed to leave were skilled workers, many were peace activists and Church people who had become increasingly vocal.

In addition, there has been a general hardening of the regime's attitude toward cultural dissent and nonconformism.<sup>17</sup> Many writers have been encouraged to leave or forced to emigrate. Others, including Stefan Heym, have been refused the right to publish and have been penalized when they have sought to have their works published abroad. In addition, the *Volkskammer* (Parliament) has passed a number of laws designed to constrict the boundaries of permissible dissent. An amendment was passed in 1977, for instance, widening the application of the laws governing political crimes. In 1979, the government introduced another amendment designed to restrict contacts with Westerners, especially foreign journalists.

The labor unrest in Poland in 1980-81 reinforced the SED's sense of insecurity. Not surprisingly, the GDR, along with Czechoslovakia, was among the severest critics of Solidarity. In the first few months after the signing of the Gdansk Agreement in August 1980, moreover, the SED took steps to insulate the GDR from any possible repercussions, including closing the Polish-East German borders, expelling some 20,000 Polish *Gastarbeiter* (guest workers) from the GDR, and quadrupling the currency exchange requirements for Western visitors to the GDR.

<sup>16</sup>In the first six months of 1984, over 25,000 GDR citizens were allowed to emigrate to the FRG. This was a record number. Since May 1984, however, emigration has dropped to about 800 to 1000 per month—about the level prior to the beginning of 1984—and the GDR has taken measures to discourage emigration, apparently fearing that the process might get out of hand and have destabilizing consequences.

<sup>17</sup>For details, see Ronald Asmus, "Hardening of the Cultural Line in the GDR," RAD Background Report/230 (German Democratic Republic), *Radio Free Europe Research*, November 2, 1982. Also B. V. Flow, "A Tighter Grip on Cultural Policy in the GDR?" RAD Background Report/184 (Eastern Europe), *Radio Free Europe Research*, September 28, 1984.

These measures were designed to ensure that the East German population would not be infected by the Polish bacillus. The Polish events appear, however, to have had relatively little impact on the GDR, especially on the working class. Rather than inspiring a sense of solidarity with the Poles, the unrest in Poland appears to have reinforced traditional prejudices and stereotypes about "lazy Polacks." The main response among East German workers was not sympathy but resentment and the fear that they would ultimately have to bear the burden of the Poles' extremism.<sup>18</sup>

### THE UNOFFICIAL PEACE MOVEMENT

The most serious source of dissent facing the Honecker regime in recent years, however, has been the growth of an autonomous peace movement. This East German unofficial peace movement is not a "movement" in the classic sense. It has no formal organization or structure. Rather, it represents a "groundswell" of popular feeling from below—to use East German dissident writer Stefan Heym's characterization—that has occurred outside party channels. But the fact that such a phenomenon has occurred at all in a society as tightly controlled as the GDR is highly significant.

The growth of the peace movement has been the result of several factors. The first is the increasing "militarization" of East German society. In the last half decade or so, the SED has put greater emphasis on military preparedness, as indicated by (1) the introduction and extension of premilitary education in East German schools, (2) the passage in December 1981 of a new civil defense law, (3) the adoption of a new conscription law in March 1982 which expands the obligations of GDR citizens, and (4) the intensification of military propaganda, in sharp contrast to the regime's self-proclaimed image of a "peace-loving state."

A second critical factor has been the role played by the Evangelical Church in the GDR. The Church has put its facilities at the disposal of the peace activists and has given them strong moral support, in effect acting as a forum for discussion and independent thinking on issues related to peace and disarmament. It has not sought to oppose the regime directly, but rather has acted as a mediator between the regime and the activists.

The Church's involvement with the peace issue can be traced back to the SED's decision in September 1978 to introduce compulsory

<sup>18</sup>See Fred Oldenburg, "Die DDR und die polnische Krise," *Osteuropa*, Vol. 12, 1982, pp. 1004-1011.

military education into the school curriculum for 9th and 10th graders.<sup>19</sup> The decision sharpened Church-state conflicts and caused the Church to expand its educational activities in an effort to counter-balance the SED policies. This conflict was intensified by the other "militarization" measures taken by the government.

The attitude of the Church has also been influenced by external developments, particularly the activities of the Evangelical Church in the Federal Republic (*Evangelische Kirchenbund Deutschlands*, or EKD), with which it maintains strong ties. The growing involvement of the EKD in the peace movement in West Germany has had a boomerang effect in the GDR, shaping the political debate and encouraging the Church in the GDR to speak out more boldly on issues related to peace and disarmament.

The Church has been the spawning ground for a number of important peace initiatives, notably the call for "social peace service" (*sozialer Friedensdienst*) as an alternative to mandatory conscription. The movement for a social peace service originated in the rank, or "base," communities of the Church in 1981, when a small group of young people in the Dresden area, acting on their own initiative, sent letters to the authorities requesting the creation of a civilian service in hospitals and old-age homes, etc., as a substitute for conscription. Many of these young people asked the Church leadership to intercede with the authorities on their behalf. Growing support for the initiative within local parishes increased the pressure on the Church hierarchy to support it as well.

The Church has also sponsored several "peace workshops" and forums. The most important of these, held in Dresden in February 1982, attracted over 5,000 people and was the first unofficial peace demonstration in the GDR.<sup>20</sup> During the course of the forum, a number of complaints were raised about the SED's policy. Another forum, in June 1982, attracted over 2,000 people.

Moreover, under the auspices of the Church, a number of working groups and "think tanks" have been set up to study problems associated with disarmament and peace. These groups have produced several studies highly critical of current official policy. In March 1981, for instance, the Ad Hoc Group on Disarmament attached to the Theological Study Section of the Federation of Evangelical Churches in the GDR produced a study that called for a unilateral renunciation of the use of nuclear weapons by the countries of the Warsaw Pact as a just

<sup>19</sup>For a good discussion, see Gisela Helwig, "Als Held wird man nicht geboren. Zum Wehrunterricht in der DDR," *Deutschland Archiv*, Vol. 3, 1979.

<sup>20</sup>*Frankfurter Allgemeine Zeitung*, February 15, 1983.

step toward "denuclearization" of Europe.<sup>21</sup> In October 1981, the same group issued a study on Euro-strategic weapons.<sup>22</sup> A resolution issued following a synod meeting of the Evangelical Church of Saxony Province in early November 1981 overtly criticized official East German security policy. It called for the adoption of defense-oriented defense systems as well as a reduction in the number of SS-20s and tanks, as a means of developing trust and confidence between East and West.<sup>23</sup>

While the strongest support for the peace activists has come from the Evangelical Church, the Catholic Church has recently begun to take a more active stand on the peace issue. In early January 1983, the Catholic Bishops issued a pastoral letter that outlined the Church's stand on the peace issue. The letter underlined the Church's commitment to peace and noted that the Church could "not remain silent if it sees developments that might lead to disaster."<sup>24</sup> It also expressed concern about the increasing military indoctrination and training in East German schools and suggested that "other forms of alternative military service" should be considered.

The letter marked the first time the Catholic Church had spoken out on the issue. In the past, the Church had concentrated on religious questions and had avoided taking a stand on "political issues" that might lead to conflict with the state. However, a combination of factors—including pressure from within the ranks of the Church itself and the stand of the Evangelical Church in the GDR—appear to have persuaded the Bishops that they could no longer refrain from defining their position on the key issues of peace and disarmament.

Finally, the peace movement in the GDR has also been influenced by the growth of the peace movement in the FRG. East German citizens, particularly the 80 percent of the population having access to West German television, are increasingly aware of the debates and demonstrations in the FRG. Television, in fact, has become an important means of communication between the two peace movements.

The initiation of Soviet "counterdeployments" also contributed to the growth of the public concern over the peace issue. In August 1983, for instance, a group of fasting peace protesters appealed in a letter to Honecker not to allow the stationing of missiles on East German soil. The following month the Synod of the Federation of Evangelical Churches in the GDR issued a warning against the stationing of new

<sup>21</sup>Ronald Asmus, "Is There a Peace Movement in the GDR?," *Orbis*, Summer 1983, pp. 301-341.

<sup>22</sup>*Ibid.* For the text of the initiative, see *EPD—Dokumentation, Evangelischer Pressedienst*, Frankfurt am Main: Haus der Evangelischer Publizistik, No. 17, 1982.

<sup>23</sup>*Ibid.* Original text in *EPD—Dokumentation*, No. 51, 1981, pp. 17-19.

<sup>24</sup>For the text of the pastoral letter, see *Frankfurter Rundschau*, February 28, 1983.



missiles on GDR territory. Public concern was, in fact, so strong that the SED leadership felt compelled to take the unprecedented step of printing letters in the party paper, *Neues Deutschland*, from Evangelical Church groups expressing concern about the upcoming Soviet deployments.<sup>25</sup>

The beginning of the Western deployment, however, has tended to defuse the missile issue. Moreover, the peace movement's ranks have been gutted by the wave of emigration at the beginning of 1984. (Indeed, as suggested earlier, that may well have been one of the prime purposes behind the government's decision to grant so many exit visas.) Thus, while far from disappearing, the peace movement may prove to be a less significant factor in the future. As in West Germany, some of its energy is likely to be redirected toward ecological issues.

As for the Evangelical Church, it has never been the symbol of nationalism and national resistance that the Catholic Church in Poland has been. Its leaders are moderates, who genuinely desire an accommodation with the state. Moreover, like the peace movement, the Church has been weakened by the wave of emigration to the Federal Republic at the beginning of 1984, which siphoned off many of its active rank and file. Thus it is likely to face a period of consolidation and rebuilding. At the same time, the Luther festivities have enhanced its social role and strengthened its bargaining power with the state.

## THE REUNIFICATION ISSUE

One of the original and novel elements related to the emergence of the peace movement in the GDR has been the manner in which issues of peace and disarmament have been linked to the "national problem"—that is, the issue of reunification. In 1981, a letter to Soviet President Leonid Brezhnev signed by East German dissident philosopher Robert Havemann and a number of West German intellectuals called for a withdrawal of all "occupational troops" from both parts of Germany. Thereafter, it would be left up to the Germans to solve their national problem.<sup>26</sup>

Similar ideas were contained in the so-called "Berlin Appeal" initiated by the East German pastor Rainer Eppelmann, which was signed by several hundred East German citizens. The appeal called for

<sup>25</sup>*Neues Deutschland*, October 22/23, 1983.

<sup>26</sup>The letter was signed by 27 East Germans and 150 residents of the Federal Republic and West Berlin. For the text, see *Frankfurter Rundschau*, October 7, 1981.

negotiations between the two German states and for the removal of all nuclear weapons from German soil as the first step toward the creation of a nuclear-free zone in Europe. In addition, it called upon the East German regime to renounce public military demonstrations and civil defense exercises, and it expressed support for the introduction of social peace service.<sup>27</sup>

The Havemann and Eppelmann letters illustrate the degree to which the issue of peace has begun to transcend national borders and stimulate new thinking about ways to overcome Germany's division. Moreover, they coincide with a "rediscovery" of the national question on the part of some leftists associated with the peace movement in the FRG. (Not surprisingly, many of these leftists are located in Berlin, where the division of Germany is most visible and most acutely felt.) These left-wing nationalists regard the division of Germany as the main cause of East-West tension and have seen the peace movement in both parts of Germany as a means for reviving interest in the German question. They have made a number of proposals which envision a withdrawal of all foreign troops from German territory and the removal of both Germanies from their respective alliances as a prelude to a resolution of the German question through either reunification, confederation, or some other form of close political cooperation.<sup>28</sup>

Such views, however, are held by only a small minority in the FRG. Most responsible West German politicians, including those in the left wing of the SPD such as former Chancellor Willy Brandt, have explicitly distanced themselves from such ideas.<sup>29</sup> Similarly, the Evangelical Church in the GDR advised against signing Eppelmann's Berlin Appeal. Nonetheless, the very fact that such ideas are raised at all underscores that the national question is by no means dead, even if its political significance is strictly limited.

## THE SOVIET DIMENSION

Ties to the Soviet Union have been, and are likely to remain, the cornerstone of the GDR's foreign policy. Indeed, one of the hallmarks of Honecker's policy has been an effort to strengthen ties to the Soviet Union and increase the GDR's economic, political, and military might

<sup>27</sup>*Sueddeutsche Zeitung*, February 9, 1982.

<sup>28</sup>Peter Brandt and Herbert Ammon, *Die Linke und die nationale Frage*, Reinbach bei Hamburg: Rowalt Verlag, 1981, pp. 56-57. See also the authors' contribution to Wolfgang Venohr (ed.), *Die deutsche Einheit kommt bestimmt*, Gustav Luebbe Verlag, 1982, pp. 119-160.

<sup>29</sup>See his article "Deutscher Patriotismus," *Der Spiegel*, No. 5, 1982.

within the bloc. The 25-year Treaty of Friendship, Cooperation and Mutual Assistance signed between the two countries in 1975 institutionalized tighter ties between the two states than had previously existed and binds the GDR more closely to Moscow in the defense sphere.<sup>30</sup>

On the political level, the GDR has come to assume a more prominent position within the Warsaw Pact, often acting as a spokesman for Soviet arms control proposals and peace initiatives. At the same time, it has put forward a number of proposals of its own, such as Honecker's call for a nuclear-free zone as well as a chemical-free zone in Central Europe. Such initiatives, while carefully coordinated with Moscow, have allowed the GDR to make its own contributions to détente and to develop a more prominent profile. To some extent, in fact, the GDR has begun to play a role similar to that played by Poland before 1980-81, presenting allegedly autonomous initiatives but giving them a German twist.

The GDR has played an important role in Moscow's strategy toward the Third World, supplying countries such as Angola, Ethiopia, and Mozambique with military equipment and expertise.<sup>31</sup> From Moscow's point of view, the East German presence has a number of benefits. The GDR can often act as a surrogate for the USSR in areas where Moscow prefers to avoid conspicuous direct involvement. In fact, in recent years, a certain division of labor appears to have emerged, with Moscow supplying the heavy equipment and logistical support, the Cubans providing the manpower, and the GDR providing military and technical assistance.

Economically, the GDR is Moscow's largest trading partner and its most important source of advanced technology. Economic cooperation has intensified, particularly in the microelectronic and industrial robot industries. The GDR is also playing an important role in the modernization of the Soviet Union's agriculture and food-processing industries as well as consumer-goods production. Within the past two years, East Berlin has signed some 22 agreements with Moscow to modernize the production of consumer goods ranging from home appliances to lamps. It also serves as a major source of fodder harvest technology.<sup>32</sup>

There are serious imbalances in the pattern of trade between the two countries, however. The GDR supplies 40 percent of the USSR's imports of farm machinery, 33 percent of its printing equipment, and

<sup>30</sup>See Theodor Schweisfurth, "Die neue vertragliche Bindung der DDR an die Soviet Union," *Europa Archiv*, No. 24, 1975, pp. 753-764.

<sup>31</sup>See Melvin Croan, "A New Afrika Korps?," *Washington Quarterly*, Winter 1980, pp. 21-37.

<sup>32</sup>Leslie Colitt, *Financial Times*, December 15, 1983.

30 percent of its rail and transport facilities. By contrast, the Soviet Union provides 100 percent of the GDR's natural gas, 90 percent of its oil, 80 percent of its ore, 75 percent of its rolled steel, 90 percent of its cotton, and 100 percent of its sawed timber.<sup>33</sup> Moreover, the increase in Soviet oil prices has exacerbated the GDR's economic problems and has led to a serious trade imbalance with Moscow. Currently, 25 percent of the GDR's exports go to pay for oil imports; by 1985, this figure may rise to 35 percent. This economic dependence imposes severe limits on the GDR's room for maneuver.

The GDR has also become an increasingly important military factor within the Warsaw Pact. The East German army has undergone extensive modernization and today is the best equipped army in the Warsaw Pact. The GDR maintains the highest defense burden in the Warsaw Pact, and it is the only Pact country in which the defense burden is actually increasing.<sup>34</sup> In addition, in the past several years, it has taken a number of measures such as increasing the military education in high schools and expanding its system of civil defense, designed to put teeth into Soviet calls for improving the Pact's defense capabilities.

The Polish crisis has increased the military significance of the GDR in Soviet eyes. One important example of this is the construction of a new rail-ferry line between the port of Klaipeda in Soviet Lithuania and the East German port of Mukran. The project is the largest joint transport project ever undertaken between the GDR and the USSR, and when completed it will allow the Soviet Union to ship goods and material across the Baltic Sea, bypassing Poland.<sup>35</sup> The GDR has also begun to play a more important role in Soviet naval strategy. Over the last decade, the East German navy has undergone extensive modernization and today is the second most modern navy in the Warsaw Pact, behind that of the Soviet Union. At the same time, its responsibilities for defense of the Baltic have been expanded.<sup>36</sup> Given Poland's current political problems, East Berlin's naval role is likely to expand in the future, increasing its military weight in the Pact.

In essence, East Berlin has sought to fill the vacuum created by Poland's weakness since 1980 to enhance its political and military

<sup>33</sup>Angela Stent, "The USSR and Germany," *Problems of Communism*, September-October 1981, p. 16.

<sup>34</sup>In 1982, East German defense spending was 8.1 percent of total GDP, as compared with 3.0 percent for Bulgaria, 2.4 percent for Hungary, 3.0 percent for Poland, and 2.1 percent for Romania. (*The Military Balance 1983-1984*, London: International Institute for Strategic Studies, 1983, p. 125.)

<sup>35</sup>"Fahrlinie DDR-UdSSR fuer den Gastertransport," *Deutschland Archiv*, Vol. 5, 1984, pp. 457-458.

<sup>36</sup>See Dale Herspring, "GDR Naval Build-up," *Problems of Communism*, January-February 1984, pp. 54-62.

influence within the Pact. At the same time, it has used this increased leverage as well as the general immobilism within the Soviet leadership to expand its freedom of maneuver in foreign policy.

This is not to suggest that there is a basic divergence between Moscow and the GDR or that East Berlin is pursuing a completely autonomous policy. The Soviet Union remains the basic guarantor of East Germany's security, as well as its most important supplier of raw materials. This imposes strict limits on its freedom to maneuver. But within these confines, the SED leadership has shown a greater willingness to pursue its own special interests.

### INNER-GERMAN RELATIONS

The area where this has been most apparent has been in relations with Bonn. The signing of the Basic Treaty between the FRG and the GDR in 1972 brought about a qualitative change in the character and scope of the relationship between the two German states. Since then, trade and contacts between the two Germanies have expanded, on both the personal and the governmental level. As a result of this increased interaction, inner-German relations have developed a certain dynamic of their own, and each side has developed a vested interest in improved relations.

For the GDR, this interest is primarily economic. Bonn is the GDR's most important trading partner in the West and is second only to the Soviet Union overall. Total trade between the two countries has been increasing steadily. In 1983, it grew 8 percent over the previous year, achieving a turnover of 15.2 million accounting units (compared with 14.1 million in 1982).<sup>37</sup> East Berlin's large hard-currency debt—currently estimated to be between \$9 billion and \$10 billion—has forced the GDR to shift its pattern of trade increasingly toward the FRG, because it must use its hard-currency receipts from other Western countries to defray interest and principal on its debt.

Bonn is also the GDR's most important source of Western credits. East Berlin has received two major credits in the last year—one for 1 billion DM at the end of June 1983, and one for 950 million DM in July 1984. These loans have helped the GDR ease the repayment of its large foreign debt. In addition, the GDR receives more than 1 billion DM annually from the Federal Republic and West Berlin as compensation for various services. If visas and private contributions are taken into account, the total annual hard-currency intake is estimated to be

<sup>37</sup>"Die Entwicklung der innerdeutschen Handels," *Deutschland Archiv*, Vol. 5, 1984, pp. 555.

close to 2.5 billion DM.<sup>38</sup> This does not include the benefits of tariff-free East German access to West German markets.<sup>39</sup>

In short, the GDR has strong economic and political reasons for desiring an improvement in ties with Bonn. Economic considerations, moreover, have become even more important in light of the Soviet Union's decision to cut back on the delivery of oil and other raw materials since 1981. These cutbacks have created economic hardships for East Berlin and have given the SED leadership an even greater incentive to strengthen ties with Bonn. For the GDR, the Federal Republic represents a long-term reliable trade partner. At the same time, the GDR hopes that improved ties with Bonn will help it expand economic relations in the West.

Recognizing this, the Kohl government has sought to use its economic might as a means to faster improvement in inner-German relations—with considerable success. Perhaps the most important example of its "Deutschmark diplomacy" was its decision in June 1983 to guarantee a 1 billion DM credit to the GDR by a consortium of West German banks. In contrast to previous loans, this credit was not tied to any specific trade or commercial agreements. Moreover, the Kohl government did not demand any formal concessions from the GDR in return for guaranteeing the loan.

The loan was essentially a "political signal." It was primarily designed to give the GDR an incentive for cooperation and to insulate inner-German ties from any further deterioration of East-West relations. And it was in these terms that it was apparently seen in East Berlin. In the fall of 1983, the GDR made a number of small gestures—reducing the minimum currency exchange requirement for children under 14 and dismantling some of the shooting devices along the inner-German border—to underscore its interest in continued cooperation. In addition, the two German states signed a number of agreements on issues such as the environment, the postal service, and the modernization of the Berlin S-Bahn.

Indeed, rather than deteriorating, as Honecker (and Moscow) had predicted if U.S. missiles were installed in West Germany, inner-

<sup>38</sup>Ron Asmus, "East and West Germany: Continuity and Change," *The World Today*, April 1984, p. 149.

<sup>39</sup>As a result of a special protocol attached to the Treaty of Rome, which set up the European Community (EC), East Germany is treated as an "internal market" of the Federal Republic. In practice, this means that trade between the two states is treated as domestic rather than foreign trade and that bilateral German trade is exempt from the customs, duties, tariffs, and quotas normally imposed on subsidy to the GDR by the EC. According to some Western estimates, this results in as much as a \$2 billion annual subsidy to the GDR by the EC.

German relations actually intensified. This intensification was highlighted in particular by

- A bilateral meeting between Kohl and Honecker during Andropov's funeral in February. The communiqué issued after the meeting stressed the need for political dialogue, "especially at this time."<sup>40</sup> Shortly thereafter, it was announced that Honecker would visit the Federal Republic—the first such visit by an East German head of state.
- The decision to allow three groups of East German citizens seeking political asylum in the American embassy and the West German diplomatic mission in East Berlin and the West German embassy in Prague to leave the country. Among these was the niece of East German Premier Willi Stoph.
- The election to the Politburo of Herbert Haebler, the SED official in charge of relations with the Federal Republic, at the 8th Party Plenum in May 1984. Haebler was catapulted directly into the Politburo without going through the customary preparatory stint as candidate (nonvoting member) and was also made a Central Committee Secretary. In essence, inner-German relations were given their own Central Committee Secretary and were "institutionalized" at the highest political level.
- The GDR's decision to allow nearly 25,000 GDR citizens to emigrate to the FRG in the first half of 1984. This was by far the largest number of citizens allowed to leave in a comparable period since the erection of the Wall and represents a major departure from the GDR's standard policy of severe restrictions on emigration and travel. While the decision appears to have been primarily designed to rid the GDR of troublesome malcontents, it was undoubtedly also made with an eye to its impact on inner-German relations.
- The granting by Bonn of a second credit guarantee to the GDR for 950 million DM. While not as large as the loan in the summer of 1983, the credit will make it easier for the GDR to repay its foreign debt, a large portion of which comes due over the next two years. In return for the loan, the GDR agreed to undertake a number of small but not unimportant measures, such as a reduction of the currency requirement for retired and handicapped persons visiting the GDR, an expansion of the time West German citizens are allowed to spend in the GDR,

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<sup>40</sup>*Neues Deutschland*, February 14, 1984.

and a relaxation of visa regulations for one-day visits by West German citizens and travel in the immediate vicinity of the border.<sup>41</sup>

These moves have been part of a general policy of "damage limitation." In essence, the GDR has sought to insulate inner-German relations from the general deterioration of East-West relations in the wake of the INF deployment and preserve the gains that had been made before the talks in Geneva collapsed. Honecker has justified his efforts at rapprochement with Bonn by portraying them as contributions to East-West détente. His speeches have consistently emphasized the importance of East-West dialogue,<sup>42</sup> particularly the special responsibility of both German states to maintain peace and prevent the outbreak of war.<sup>43</sup>

Along with Hungary, the GDR has become the foremost proponent of dialogue with the Warsaw Pact. As noted earlier, there has been a remarkable convergence of views between the two countries on international issues, particularly those related to East-West relations. In official speeches and statements, both countries have emphasized the importance of East-West détente and the role that small and medium powers can play in promoting East-West dialogue. The GDR has openly sided with Hungary, for example, in its dispute with Prague and Moscow over the proper emphasis to be given "national vs. international" interests, reprinting key Hungarian articles in its own press.<sup>44</sup> In return, Budapest has been supportive of East Berlin's efforts to improve ties with Bonn.<sup>45</sup>

The rapprochement with Bonn has been part of a broader effort to expand relations with the West in general. In February 1984, Assistant Secretary of State Richard Burt—the highest-ranking American ever to visit the GDR—paid a visit to East Berlin. His trip was followed by visits by a number of Western statesmen, including Italian Prime Minister Bettino Craxi, Swedish Prime Minister Olaf Palme,

<sup>41</sup>The New York Times, July 26, 1984.

<sup>42</sup>See in particular Honecker's interview in the French communist paper *Revolution*, reprinted in *Neues Deutschland*, January 6, 1984, and his speech to the district party leadership, *Neues Deutschland*, February 13, 1984. See also his interview in *Problems of Peace and Socialism*, reprinted in *Neues Deutschland*, March 24/25, 1984.

<sup>43</sup>See *Neues Deutschland*, February 13, 1984; also Honecker's interview with the Italian daily *Il Messaggero*, reprinted in *Neues Deutschland*, July 9, 1984.

<sup>44</sup>For instance, the controversial article by Hungarian Central Committee Secretary Matyas Szuros, "Common Goals, National Interests," *Magyar Hirlap*, April 1984, was reprinted in *Neues Deutschland*, April 12, 1984.

<sup>45</sup>See in particular the speech by Matyas Szuros in *Nepszabadsag*, August 22, 1984, reprinted in *Neues Deutschland* the same day. See also *Nepszava*, July 28, 1984, reprinted in *Neues Deutschland*, July 30, 1984, and *Magyarorszag*, August 5, 1984.



and Greek Prime Minister Andreas Papandreou. While the visits did not lead to any spectacular breakthroughs, they reflect the GDR's effort to expand its room for maneuver and cultivate better ties with the West.

The GDR's active *Westpolitik* has been complemented by a significant expansion of its economic ties with the West. (In fact, its activism on the diplomatic front has been largely designed to create the political framework to bolster these ties.) In 1983, total East German exports to the West increased by 10 percent, with the GDR running an overall trade surplus for the second consecutive year. Besides West Germany, the bulk of the expansion of the GDR's nonbloc trade has been with Austria, Belgium, France, and Japan. East Berlin's primary interest is in importing technology from these countries, which it needs to stay competitive and continue its economic expansion.

### DIFFERENCES WITH MOSCOW

The visible expansion of the GDR's economic ties with the West appears to have begun to worry the Soviet Union, which heavily depends on the GDR for a variety of products from microelectronics and robotics to heavy metal-working industries. At the June 1984 Comecon summit, for example, Moscow reportedly complained that the GDR and other East European countries were exporting electrical and consumer goods to the West while ignoring Soviet needs.<sup>46</sup> While at the moment these concerns are not overly serious, they could become more troublesome if the GDR continues to expand its ties with the West. The GDR is Moscow's main source of advanced technology, and in recent years Moscow has attempted to tie the GDR's industry to the demands of the Soviet market, particularly in the field of microelectronics. Thus the Soviets are likely to remain concerned about any significant increase of East German trade with the West.

The most important and immediate source of Soviet concern, however, has been the intensification of East Berlin's ties with Bonn. On the one hand, a certain level of inner-German interaction is in Moscow's own interests: The FRG's desire for and vested interest in good relations with the GDR acts to some extent as a constraint on Bonn's freedom of action and gives Moscow some limited leverage over West German policy. Moscow also has a strong interest in ensuring that the GDR manages its debt problem in order to avoid any potential social unrest. Moreover, given its own economic problems, the USSR

<sup>46</sup>*Neue Zuercher Zeitung*, June 17-18, 1984.

would almost certainly prefer that the GDR turn to Bonn for new credits than have to provide them itself. All this gives Moscow an incentive to allow some degree of dialogue to continue.

At the same time, the Soviet leadership remains profoundly mistrustful of any German interaction it cannot control. Moscow initially appears to have sanctioned Honecker's efforts to improve relations with Bonn. Its position, however, began to shift in the spring of 1984. This shift was reflected in particular in the cold treatment accorded West German Foreign Minister Genscher during his visit to Moscow in May 1984 and the campaign against West German "militarism" and "revanchism," which intensified in the summer of 1984.<sup>47</sup> While to some extent these attacks were designed to "punish" the FRG for accepting INF deployment, they also served as an indirect warning to the GDR not to push détente with the Federal Republic too far.

The shift in Moscow's position toward the FRG left Honecker increasingly exposed and finally forced the postponement of his visit to Bonn (originally scheduled for late September 1984). The postponement of the visit clearly underscored the limits of the GDR's room for maneuver. But Honecker might possibly have been willing to go forward with the visit despite Soviet criticism had Bonn been more willing to discuss issues of prime concern to East Berlin, such as arms control and future credits, rather than emphasizing issues of marginal interest such as the environment. In the end, he appears to have decided that the price for the visit was simply too high—and the likely rewards too low—to risk openly defying the Soviet Union, especially in light of the publicity that the visit had generated.

The sparring over the visit during the summer of 1984 highlights Moscow's continuing sensitivity over the pace and degree of inner-German rapprochement. As long as Bonn had not irrevocably committed itself to accepting INF deployment, an improvement in inner-German relations provided a useful instrument for influencing West German policy and encouraging Bonn to rethink its position. Once Bonn had accepted the deployment, however, closer inner-German ties were no longer particularly in the Soviet interest. On the contrary, East Germany's policy of inner-German détente ran counter to Moscow's efforts to freeze relations with the West and its harsher line toward Bonn. In addition, Moscow appears to have been worried about

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<sup>47</sup>See in particular *Pravda*, July 27 and August 2, 1984. For a detailed discussion, see Ronald D. Asmus, "Moscow's Campaign Against East-West German Relations," RAD Background Report/160, *Radio Free Europe Research*, August 29, 1984.

what it perceived as the growing economic dependence of the GDR on the FRG.<sup>48</sup>

There was also the larger issue of the impact of East Germany's détente with Bonn on bloc cohesion. Moscow can tolerate occasional acts of defiance by Romania or even internal deviation by Hungary. But a more autonomous East German policy—even a relatively limited one—is an entirely different matter. It would not only severely complicate Moscow's efforts to maintain bloc solidarity and cohesion, but it could encourage the Romanians and the Hungarians to pursue an even more active *Westpolitik*.

The differences between East Berlin and Moscow that surfaced in the summer of 1984 reflect differing interests and stakes in relations with Bonn. They should not, however, be exaggerated. Honecker is—and is likely to remain—a loyal member of the Warsaw Pact and a staunch Soviet ally. While he would like to gain some greater elbow room to pursue specific East German interests, especially vis-à-vis Bonn, he is unlikely to push this too far. Moreover, given the GDR's political and economic dependence on Moscow, his room for maneuver will remain highly circumscribed.

At the same time, it would be a mistake to interpret the postponement of the Honecker visit as marking an end to the GDR's interest in closer ties with the FRG. The GDR has a strong long-term stake in maintaining good relations with Bonn. Given its current difficulties, East Berlin needs Western credits, and Bonn remains the most likely source for these. There are important political reasons as well. Over the last decade, the increasing human contacts between the two German states since the signing of the Basic Treaty in 1972 have become a fact of political life. Any effort to reduce them sharply would risk increased social discontent and would complicate relations with Bonn.

Moreover, there is an important domestic factor that should not be overlooked: Détente with Bonn is popular and provides an important means of increasing the SED's legitimacy with the East German population. The postponement of the visit to Bonn was a deep disappointment to many East Germans, especially after the GDR's withdrawal from the Olympics. Honecker's willingness, however, to stand up to the Soviets—even for a while—and his increasing readiness to articulate a specific East German approach to East-West relations appear to have won him respect among the population. This fact is not likely to be lost on a party that has traditionally had a difficult time eliciting strong popular support.

<sup>48</sup>Soviet commentaries, for example, specifically criticized the 950 million DM credit deal, charging that Bonn was trying to use its "economic leverage" to attain its "revanchist" goals. See *Pravda*, August 2, 1984.

Finally, there is the personal factor. At 72, Honecker is in the twilight of his years. There are those who believe that as a Saarlander he feels the tug of German history more strongly than many other members of the East German elite and that lately he has become increasingly preoccupied with the German problem. This too may serve to give inner-German relations continued momentum.

## PROSPECTS FOR THE FUTURE

In short, the postponement of the Honecker visit does not signal the end of the process of inner-German rapprochement, but simply a temporary interruption of the process. The pace and extent of this rapprochement, however, will depend on a number of factors. The first is the so-called "Grosswetterlage," i.e., the relationship between the United States and the Soviet Union. As the post-INF developments have once again demonstrated, inner-German relations cannot be divorced from the overall context of superpower relations. If these remain tense, the maneuverability of the GDR is bound to be narrowed. If, on the other hand, they improve, this will increase East Berlin's room for maneuver.

The second—and perhaps most important—factor is the state of Soviet-West German relations. If the tougher line toward the FRG evident in the summer of 1984 continues, it will be much more difficult for the GDR to continue its détente efforts with Bonn. Over the long run, Moscow seems likely to return to a policy of détente with Bonn, especially if there is an improvement in U.S.-Soviet relations. A shift in Soviet policy, however, back toward a more moderate line toward Bonn—if it comes—is not likely to emerge until after Moscow has completed the celebrations of the 40th Anniversary of the end of World War II in May 1985.

Much will also depend upon developments within the Soviet leadership. Honecker appears to have good ties to Chernenko. Chernenko, however, is likely to be a transitional leader. As a consequence, the Soviet Union will be preoccupied with the succession issue over the next few years. This could give the GDR greater room for maneuver, especially vis-à-vis Bonn. But the roots of Soviet mistrust of Germany remain deep and its historical memory long. Moscow is thus likely to continue to monitor inner-German relations carefully and keep the GDR on a short leash.

## VI. CONCLUSIONS

### THE TROUBLED FUTURE

In the wake of the 1968 invasion of Czechoslovakia, the Soviet Union was able to reassert its dominance over Eastern Europe. Since the mid-1970s, however, Moscow has witnessed an erosion of control over the area. This process is likely to continue in the late 1980s and early 1990s.

The nature of the challenge is both systemic and country-specific. On the specific level, the most serious challenges (apart from Poland) come from Romania, Hungary, and the GDR, each of which poses very different types of problems for the Soviet Union. The challenge from Romania is the most visible and has received the most attention in the West. Yet, of the three, it is probably the least threatening. From a strategic point of view, Romania is the least important of the three countries. Moreover, Romania's domestic system—an amalgam of orthodox, Soviet-style communism and traditional Balkan personal dictatorship—poses little threat to Soviet interests. Indeed, Romania is regarded with a combination of bemusement and disdain by its Warsaw Pact allies, particularly Hungary. There is thus little real danger that the Romanian "model" will be exported elsewhere in Eastern Europe.

Moreover, as the Soviet leadership surveys the Romanian scene, it has some cause for satisfaction. Romania's internal difficulties, above all in the economy, have been steadily increasing. These economic problems are likely to necessitate closer cooperation with Moscow in some areas and could eventually force Bucharest to curb some of its most ostentatious acts of political defiance. Indeed, since the conclusion of the Comecon summit in June 1984, there have been indications that Romania may have begun to soften its stand on Comecon integration. Other adjustments could follow.

At the same time, it may be increasingly difficult for Romania to remain the darling of the Western world. On the one hand, Romania's economic difficulties are likely to limit the willingness of Western bankers to engage in large-scale lending to Bucharest. On the other, the increasingly repressive nature of Ceausescu's rule may make it more difficult for Romania to obtain Western political support. Other factors, such as a relaxation of tensions between Russia and China or a

leadership crisis in Yugoslavia, could further limit Bucharest's room for maneuver.

As long as Ceausescu remains in power, a basic shift in Romanian foreign policy is unlikely. Ceausescu is personally associated with Romania's effort to achieve greater foreign policy autonomy, and a return to the Soviet fold would require a repudiation of his policies. Moreover, there is an important domestic dimension. Ceausescu's nationalism—and to an extent "anti-Sovietism"—is a prime source of his legitimacy. The abandonment of his maverick stance would undermine the very basis of his authority and could have important domestic repercussions. The outlook, therefore, is for greater tactical flexibility and closer cooperation with Moscow *in some areas* but no fundamental shift in Romania's foreign policy course.

In the short run, Ceausescu may benefit from the changes in the Soviet leadership. His relations with Andropov were not particularly cordial, which probably contributed to the cooling of relations that followed Andropov's assumption of power. Chernenko's ascendancy led to a temporary easing of strains, though as Ceausescu's visit to Moscow in June 1984 made clear, basic differences continue to exist.

Over the long run, the outlook is less certain. While a Soviet invasion of Romania is unlikely—the gains would probably not be worth the costs—Moscow has a number of less drastic options. Romania's economic problems, especially in the energy sector, may provide tempting opportunities for exerting economic leverage. Moscow could, for instance, dangle the prospect of increased deliveries of raw materials in exchange for greater political cooperation and support. Depending on the depth of Ceausescu's internal problems, he might find such an offer hard to refuse. Moscow could also attempt to exploit discontent among Romania's ethnic minorities, especially the Hungarians, by encouraging Budapest to take a more outspoken stand on the issue.

The Kremlin's greatest asset may be the growing dissatisfaction with Ceausescu's increasingly erratic and capricious rule. As yet, this dissatisfaction has not manifested itself in organized form, but it does provide a reservoir from which the Soviets could try to build an anti-Ceausescu fifth column within the party or security forces. Moreover, the unconfirmed reports of an abortive coup attempt by some military officers in January 1983 suggest that anti-Ceausescu sentiment may exist within the military and security forces.

Given the concentration of power in Ceausescu's hands and his failure to provide for a successor, his death or removal would probably be followed by a period of considerable unrest, which could open new opportunities for Soviet diplomacy. A weak and divided Romanian leadership, faced with a serious economic crisis, would be vulnerable to

Soviet pressures and might even find closer cooperation, political as well as economic, genuinely attractive. But even if Ceausescu manages to survive, Romania is likely to find it increasingly difficult to pursue the type of free-wheeling autonomous policy that it pursued in the late 1960s and early 1970s.

Hungary poses an entirely different—and, over the long run, perhaps more fundamental—challenge to Soviet interests in Eastern Europe. While the party remains firmly in control in Hungary, it has allowed a considerably greater degree of economic and political liberalization than exists anywhere else in the Eastern bloc. Moreover, the Kadar government seems intent on gradually extending the reform.

The key question is, To what extent can this process continue in the future? This question is particularly relevant, because Hungary is facing a political succession that will remove the prime architect and supporter of the reform. At 73, Kadar's remaining time is limited. His departure will leave an important psychological as well as political vacuum. At present, there is no clear heir apparent, but even if one is chosen, he will not be able to exercise the strong integrative leadership that Kadar has provided—at least not initially. Nor will he enjoy the same trust and respect among the Soviet leadership that Kadar enjoys and that has been a key factor in Moscow's willingness to tolerate the reform.

There are other reasons for concern. The main concern is economic. Much of the Kadar regime's legitimacy and popular support have been based on its ability to increase the standard of living. In essence, the regime promised economic prosperity in return for depoliticization. In the past several years, however, the standard of living has stagnated, and there is little prospect for a significant improvement in the future. This situation could begin to erode the remarkable stability that has characterized Hungarian political life in recent years.

As the reform progresses, moreover, the issues of social inequality and social justice are likely to loom larger and could provoke discontent among many of those left behind in the entrepreneurial rush to achieve the good life, Hungarian style. As the memories of 1956 fade, many younger Hungarians, who never experienced the terror and deprivation of the Rakosi era, may begin to chafe at the existing constraints and push more forcefully for political change. In addition, a reassertion of the Hungarian minority could rekindle dormant but still strong nationalist sentiments, further complicating Hungary's relations with its communist neighbors.

These factors suggest that the stability that has characterized the Kadar period can no longer be taken entirely for granted. At the same time, there is reason to be cautiously optimistic about the future of the

reform and Hungary's capacity to adapt to these challenges. In recent years, Kadar has replaced many of the old guard with competent and experienced technocrats who share his centrist views—men like Berecz, Nemeth, and Varkonyi, who are likely to continue his pragmatic policies and seek to gradually extend the reform.

Much will depend on the attitude adopted by Moscow. To date, the Soviet attitude toward the reform has been ambivalent. On the one hand, the success of the Hungarian model, especially in agriculture, has provoked both interest and envy. On the other, the Soviet leaders have been concerned about the political repercussions of the reform. They have tolerated it because they trusted Kadar and because he was able to convince them that he could contain its political impact. Once Kadar is gone, however, the Soviet leadership's attitude may harden, especially if pressures for political change intensify.

Events elsewhere in Eastern Europe will also affect Moscow's attitude. Further upheaval in Poland, for instance, would probably increase Soviet nervousness and make Moscow less willing to tolerate deviations elsewhere, especially in Hungary. Similarly, continued deterioration of U.S.-Soviet relations would intensify pressures for greater bloc unity and complicate Hungary's efforts to proceed with its reform and increase its contacts with the West. An improvement in superpower relations, on the other hand, would make both efforts easier.

While the Hungarian reform has generated considerable interest in Eastern Europe, particularly in Poland, it is unlikely that it will be duplicated elsewhere in the bloc, let alone in the Soviet Union. The reform was a product of a particular set of circumstances, particularly the uprising of 1956, which forced Kadar to try to win the support of the intelligentsia and professional classes. Moreover, many countries in Eastern Europe are likely to fear its political implications. Some may adapt certain features of it—indeed, to some degree, Bulgaria already has—but few are likely to go as far toward decentralizing economic decisionmaking as Hungary has.

East Germany, as always, is a special case, and one that deserves more attention than it has received in the past. This stems in part from the fact that the GDR is an artificial state. Moreover, it must contend with a powerful West German state on its border which still claims a special responsibility for the citizens of the GDR. This creates special problems of legitimacy faced by no other state in Eastern Europe.

Complicating this equation is the changing nature of the relationship between the two German states. In recent years inner-German relations have taken on a dynamic and momentum of their own. At



the same time, the East German leadership has shown signs of greater self-confidence and a desire to pursue its own national interests, which at times differ from Moscow's overall policy aims. The GDR's efforts to maintain détente with Bonn at a time when Soviet relations with the West underwent a freeze is perhaps the best example of this.

In general, however, Moscow has reason to be relatively satisfied with developments in the GDR. Politically, Honecker has proved to be a loyal and trusted ally. Economically, the GDR has emerged as Moscow's "junior partner" and its main source of advanced technology. And within the Warsaw Pact, the GDR has assumed an increasingly important role, filling the vacuum left by Poland's weakness, particularly in naval strength.

At the same time, some developments undoubtedly give Moscow cause for concern. The East German economy, while performing better than that of most others in Eastern Europe, has been far from trouble-free. East Berlin has accumulated a large foreign debt, and the austerity measures introduced to reduce that debt have led to increasing bottlenecks and consumer shortages. Dissent has also increased, with the Evangelical Church beginning to play a more assertive social role. The GDR has experienced the emergence of the largest peace movement in Eastern Europe.

To this must be added the GDR's efforts to expand and intensify its relations with the FRG. For Moscow, East Berlin's "special relationship" with Bonn is a two-edged sword. On the one hand, a certain level of inner-German interaction serves Soviet interests, since Bonn's credits help to ease East Berlin's economic problems at a time when Moscow can ill afford to provide major assistance. And diplomatically, increased inner-German contacts act as a constraint on Bonn's freedom of action and give Moscow some leverage over West German policy.

Nonetheless, Moscow must be concerned about the long-term implications of the inner-German relationship. These concerns have undoubtedly been accentuated by developments since the beginning of 1984. Indeed, the revival of the campaign against West German "revanchism" and "Neo-Nazism" in the Soviet press in mid-1984—charges that had more or less disappeared after the signing of the Bonn-Moscow treaty in 1970—seemed to be aimed as much at East Berlin as at Bonn.

For Moscow, the problem is essentially one of alliance management. In the past this was a relatively simple task, but today the intensity and complexity of the ties between Bonn and East Berlin make it more difficult. Any serious effort to curtail the GDR's contacts with the Federal Republic could have important economic and even political

repercussions, accentuating social discontent at a time when Moscow already has its hands full trying to reestablish order in Poland. In short, Moscow can not simply "shut off" East Berlin's contacts with Bonn without risking problems that could undermine its own position in Eastern Europe.

Given the difficulties of managing the inner-German relationship, might Moscow at some point be willing to rethink its attitude toward the German problem and consider reunification in return for a neutralization of both Germanies along the lines of Stalin's famous March 1952 offer? Would the prospect of a denuclearized neutral West Germany be worth trading away the GDR? This has been an age-old dream—and fear—in Europe, and in recent years it has gained renewed currency as a result of the rise of pacifist (and, to a lesser degree, neutralist) sentiment in the Federal Republic.

Yet the reasons for skepticism are certainly as valid today as they were in 1952. First, the Soviets would have no guarantee that a powerful reunified Germany would remain neutral or denuclearized, or that it might not "break out" of any formal treaty and reenter the Western alliance. Could Moscow count on cooperation from the West, especially the United States, to prevent this? The required degree of cooperation and mutuality of interest between Moscow and Washington does not exist and is not likely to exist for the foreseeable future.

Second, the importance of the GDR within the Warsaw Pact has vastly increased in recent years, especially since the turmoil in Poland. Were the GDR to leave the Warsaw Pact, Moscow would lose its most important political and military ally and its main source of high technology. Without the GDR, and with Poland a continued source of instability, the Warsaw Pact as a military alliance would be of little value.

Third, the economic and political weight of Germany in Eastern Europe would be intensified by reunification. As it is, the Federal Republic is the leading Western trading partner of many countries in the Eastern bloc (including the Soviet Union itself). Imagine the economic attraction—and impact—a unified Germany would have on Eastern Europe, especially as the high-technology gap between East and West accelerates.

Finally, Moscow would lose one of the prime means of maintaining its hegemony in Eastern Europe—the German bogey. As long as Germany remains divided and the Federal Republic is a part of NATO, the Soviet Union can use the fear of a "revanchist" West Germany as a means of bolstering its position in Eastern Europe. To be sure, the German bogey has lost much of its potency since the signing of the Eastern treaties in the early 1970s, but it still retains a certain residual

value, as Moscow's recent campaign against the rise of West German "revanchism" and "Neo-Nazism" demonstrates, particularly in Poland. Thus Moscow would probably be reluctant to give up this card entirely.

### THE BROADER HORIZON

The challenges posed by developments in Romania, Hungary, and the GDR will not take place in a vacuum, however. They will interact with, and to some degree reinforce, several broad trends that are likely to accentuate Moscow's dilemmas in Eastern Europe. It is the interactive nature of the challenge that makes Moscow's dilemma in the region so acute.

The era of consumerism in Eastern Europe is clearly over. The next decade is likely to be one of austerity and economic stagnation. Growth rates, which declined precipitously in the 1970s, will decline further in the 1980s. According to some estimates, they may be roughly one-third those recorded in 1976-80 and one-fifth those achieved in 1971-75.<sup>1</sup>

At the same time, aggregate East European terms of trade will probably decline significantly relative to those of 1980—perhaps by as much as one-third. This will pose significant problems for East European countries. On the one hand, they will be forced to find a way to persuade the Soviet Union to increase real exports of energy and nonfood raw materials; on the other, they will have to find a way to pay for the increasingly expensive Soviet goods. In addition, Western banks are likely to be much more cautious about lending to Eastern Europe. Consequently, East European countries will find it much more difficult to obtain credit to expand their production capacity and finance their debt service. This will probably be true even for countries like Hungary, which has generally managed its economy well.

The interaction of these trends is likely to lead to a stagnation in living standards. Over the long run, such a stagnation could affect political stability in some countries, intensifying pressures for change and fueling political discontent. This is not to argue that any other countries will become a second Poland—the set of circumstances that produced the Polish crisis were unique. But the same type of pressures that led to the unrest in Poland are likely to make themselves felt to some degree throughout the region, forcing planners to make difficult choices and accentuating social and economic tensions.

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<sup>1</sup>Vanous, *op. cit.*, p. 16.

Within Comecon, the economic slowdown will probably make Moscow's allies more reluctant to extend aid to Comecon partners such as Mongolia, Vietnam, and Cuba. At the same time, many East European countries may find themselves pushed by economic necessity to experiment with more flexible mechanisms for regulating and restructuring their economies. Bulgaria, for instance, has already introduced a modest reform, based in part on elements of the Hungarian model. In the future, other East European countries may also begin to experiment with similar reforms. Here, the East German pattern of reform, with its high degree of centralization, may be more relevant than the Hungarian model.

The deteriorating economic situation also has military implications. Within the Warsaw Pact, economic stagnation is likely to accentuate the debate over "guns vs. butter" and "burden sharing." Romania has already announced that it will not raise defense outlays above the 1982 levels for the next three years. Faced with growing economic constraints, other East European countries, particularly Hungary and Poland, may follow suit. This could undercut Moscow's efforts to carry out its planned modernization within the Pact.

Other issues, such as Moscow's "counterdeployments," could also accentuate tensions within the Pact. Romania has already broken ranks by openly calling for a *mutual* moratorium on the deployment of medium-range missile systems, including Soviet counterdeployments, and other countries such as Hungary and Bulgaria have been less than happy about the deployments, for economic as well as political reasons.<sup>2</sup> Even Honecker, who agreed to accept the missiles, did so with a notable lack of enthusiasm.<sup>3</sup> A Soviet decision to accelerate its modernization program or press other allies to accept the missiles could intensify discord within the Pact.

Moscow's problems could also be complicated by leadership instability. A number of countries will face succession problems in the next few years. As noted earlier, Kadar (Hungary) is 73 and his passing will leave a gap that will be hard to fill. Honecker (the GDR), Husak (Czechoslovakia), and Zhivkov (Bulgaria) are also over 70. Their departures could have a destabilizing effect, especially if several transitions coincided.

To these concerns must, of course, be added the Polish dilemma. The military crackdown in December 1981 put an end to the most

<sup>2</sup>Bulgarian leader Todor Zhivkov, for instance, told a trade union meeting at the end of October 1983 that Moscow's countermeasures would entail additional costs that would affect the economic plans of the Warsaw Pact countries. (BTA, October 27, 1983.)

<sup>3</sup>See Honecker's speech to the 7th Party Plenum, *Neues Deutschland*, November 27/28, 1983.

immediate challenge, but it has not resolved the deeper crisis, which is long-term and structural. For the foreseeable future, Poland is likely to remain a potential tinderbox that could ignite at any moment and pose a major problem to Soviet hegemony in Eastern Europe.

Moreover, it is unlikely that Moscow is entirely happy with military rule in Poland, which remains in place despite the end of martial law in late 1983. Continued military rule not only weakens the party in Poland, it sets a bad precedent for other countries in Eastern Europe, which may be faced with similar economic problems in the future. Perhaps equally important from Moscow's point of view is the impact of continued military rule on Poland's contribution to the Warsaw Pact. The longer the army remains in security/administrative functions, the greater the deterioration of its military effectiveness is likely to be.

### THE SOVIET DIMENSION

Much, of course, will depend on what happens within the Soviet Union itself. For the past five years, Soviet politics have been characterized by immobilism and drift. As a result, policy toward Eastern Europe has largely been on hold—a fact well illustrated by the three-year postponement of the heralded Comecon summit, which was finally held in June 1984. Moreover, the summit did little to resolve the fundamental problems facing the Eastern countries.

Andropov's death has accentuated these problems. Chernenko represents the last gasp of the old guard who are fearful of relinquishing power. He lacks the vigor and authority to conduct a dynamic foreign policy and address the mounting problems in Eastern Europe. In the next few years, the Soviet leadership is likely to be preoccupied with the succession problem. This could give some countries in Eastern Europe greater opportunities to expand their room for maneuver.

At the same time, further deterioration of relations between the two superpowers could increase pressures on the East European countries, particularly Hungary and the GDR, to curtail their contacts with the West and make Moscow less receptive to internal reform. Similarly, renewed instability in Poland would increase Moscow's nervousness about change elsewhere in Eastern Europe and would lead to greater pressure for bloc solidarity, decreasing its allies' maneuverability. This would affect all three countries in varying degrees.

An improvement in U.S.-Soviet relations, on the other hand, would provide East European countries, particularly Hungary and the GDR,

greater room for maneuver and would make it easier for them to continue to expand contacts with the West. If the chill in U.S.-Soviet relations evident in 1984 begins to dissipate and Moscow is engaged in a wide-ranging dialogue with the United States, it will be much harder for the Soviet leadership to argue that its East European allies cannot also engage in a dialogue with the West. This in turn will make it harder for Moscow to impose bloc solidarity and maintain alliance cohesion.

Yet even without a serious improvement in U.S.-Soviet relations, some East European countries are likely to continue to try to assert their national interests more forcefully. For both Hungary and the GDR, foreign economic contacts are essential in order to maintain economic growth and domestic stability. In both cases, the party's legitimacy is closely tied to economic performance. And for this they need ties to the West. Thus, even without East-West détente, Moscow will find it difficult to get either country to curtail seriously its ties to the West.

### THE CHINA FACTOR

There is also the possibility that the current drift in Soviet policy could lead to a more assertive Chinese policy in Eastern Europe. In the early 1970s, Chinese efforts to woo Yugoslavia and Romania led to Soviet fears of a Belgrade-Bucharest-Tirana axis. While such fears proved premature, conditions today are quite different from those of a decade-and-a-half ago. Then, Brezhnev was in firm control and Moscow was actively seeking cooperation with the West. Today, there is a leadership vacuum in the USSR and Moscow is increasingly isolated vis-à-vis the West. This could give China greater room for maneuver in Eastern Europe.

Over the past year, in fact, there have been signs of a renewed Chinese interest in Eastern Europe. In the spring of 1984, Chinese Secretary General Hu Yao Bang paid an official visit to Bucharest and Belgrade. Relations with Albania, once a Chinese client, have also been improving.

China's courtship of Eastern Europe has not been limited to the Balkans. In June 1984, Deputy Foreign Minister Qian Qichen made visits to Bulgaria and Czechoslovakia, as well as the Soviet Union. A few weeks earlier, China's Minister for Foreign Economic Relations made stopovers in Hungary, Poland, and Czechoslovakia. And in June 1984, Polish Deputy Foreign Minister Ernest Kucza became the highest ranking bloc official to visit China in two decades. There have

also been reports that China made overtures to the GDR about restoring party ties, but East Berlin backed off when Moscow objected.<sup>4</sup>

One should not overdramatize the Chinese factor, of course. At the moment, Chinese interest appears primarily economic. Moreover, most East European countries are likely to be extremely cautious in reacting to Chinese overtures, especially while Moscow's relations with Beijing remain frozen. However, continued immobilism and drift within the Soviet leadership—particularly an extended succession crisis—could encourage Beijing to step up its courtship of Eastern Europe.

### THE SOVIET DILEMMA

Regardless of China's actions, however, the Soviet Union will face growing pressures across the board in Eastern Europe over the next decade. These pressures will increase the tension between the two goals that Moscow has pursued in Eastern Europe since the end of World War II, *control* and *stability*. To some extent, these goals have always been mutually incompatible. An emphasis on stability would require the Soviet Union to allow the East European regimes greater scope for independence, thus risking some loss of control. An effort to enhance control, however, would require a reassertion of Soviet dominance, which would risk provoking greater popular discontent and unrest.

The dilemma for Moscow in the future, then, will be how to strike the best balance between these two conflicting goals. To some extent, this dilemma has always existed. The difference is that in the past, the Soviet Union had greater latitude and freedom to maneuver. Today, however, Moscow's options, both at home and abroad, are narrowing. Simply "muddling through," as Brezhnev did in his last years, will not be sufficient. Moscow will need to undertake a serious restructuring of its relations with its East European allies in the next decade or risk the prospect of renewed instability and unrest.

To date, the Soviet Union has been fortunate that, except for 1956, most crises in Eastern Europe have occurred separately. The danger in the 1980s and 1990s is that several crises may occur simultaneously. Moreover, they could take place at a time when the Soviet leadership is in the midst of a succession crisis, thereby making it more difficult for Moscow to respond swiftly and effectively. Admittedly, this is a worst-case scenario, one that Moscow may succeed in avoiding. But as the Soviet leadership surveys the East European scene, such a possibility cannot help but give them cause for concern.

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<sup>4</sup> Christopher Wren, *The New York Times*, August 5, 1984.